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No. 2048



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DODE STRESSES NEED TO IMPROVE PLANNING ACTIVITY

Tirana ZERI I POPULLIT in Albanian 10 Jul 80 p 3

[Article by Petro Dode, chairman of the State Planning Commission: "The Perfecting of Planning and Its Methodology--Continuing Objective of a Profound Scientific Work"]

[Text] The level attained in the economic and social development of the country, the special historic conditions under which our country builds socialism, surrounded by imperialist and revisionist enemies, as well as the great tasks of the coming 5-year plan which is being discussed and drafted by the working masses of the city and the village under the party leadership, require that now and in the future, the research-scientific, creative and transforming activity, be raised to a higher quantitative and qualitative level, so as to transform science and technological progress into still more powerful social factors, which should contribute further and with greater effectiveness in the maintenance of high rates of economic development and the comprehensive strengthening of our socialist homeland.

The great tasks presented by the Eighth Plenum of the Party Central Committee require the further concentration of attention, care and work of the state and economic organs in the field of the development of the social and economic sciences and, in this framework, of the perfection of planning, so as to further raise its role in the entire process of socialist construction of the country on the basis of the party guidelines and directives. Planning and its methodology as a science of socialist economic organization and management in our country, have been and are the object of a continuous study to perfect their various aspects in accordance with the economic and social development of the country. The broad scientific work carried out in this direction, on the basis of the tasks set by the Seventh Party Congress, has influenced the further perfecting of the system of planning and the strengthening of its scientific character, by better solving and implementing, in the practice of the planned management of the economy, the problems of expanded socialist reproduction, in accordance with the demands of the objective economic laws of socialism.

The basis of the studies carried out for the perfecting of planning and of methodology has been the generalizations applied by the party and Comrade Enver to the revolutionary experience of the economic and social development of our country, as the only country in the world which builds socialism and develops the economy on the basis of a single and general state plan. The drawing up of the 1979 and 1980 plans and the achievements in the field of their fulfillments, through total self-reliance, as well as the work which is presently being carried out in drawing up the Seventh Five-Year Plan, are living proof of the important steps made during recent years in perfecting planning.

In our country where socialist relations have been established throughout in the city and in the village, no economic-social activity whatever can be understood or carried outside the plan and planning. However, the science of planning and methodology itself is made up of principles, criteria, methods, methodics and rules which must be rigorously implemented in every link. This is being stressed because often it is proven that various state and economic organs, as well as their apparatuses, are not, everywhere and in all issues familiar with, the requirements of planning methodology nor do they implement them properly. We must continue providing, especially, greater effort and help to the grassroots, because the scientific character of the plans at the center, their correct rates, dimensions and so forth, depend on the scientific level of planning in the enterprises and cooperatives. It is necessary for all the ministries and other central institutions to better deal with these tasks in order for the entire process of planning, from the moment of the drawing up of the draft plan at the base, the examination at various levels, the execution of the plan approved for the enterprises, cooperatives, and down to the smallest units of production and its implementation, to be carried out in accordance with the methodology of planning.

The dynamic and intensive development of the economy and the expansion of the economic dependencies and relations which originate from them, necessitate the constant perfecting of planning, thus turning the methodology and all other documents and norms which regulate planning into permanent study objects. This is necessary because life and practice confirm this and new problems are coming forth which require the perfecting of the planned management of the economy. Regarding this issue we must bear in mind the recommendations made by Comrade Enver at the Eighth Plenum of the Party Central Committee, that "Science and technology have progressed and developed in the direct service of the requirements of production and of social life, in the same manner that these in turn have been permanent stimulating factors also for the development of science and technology itself... The practice of society is a source of development of sciences and the criteria which confirms the justness of its theses."

The experience gained so far in implementing the methodology of planning presents problems in connection with the best possible implementation of

established principles and norms, as well as the need to further perfect some of the various aspects of our system of planning. In accordance with the implementation of the tasks assigned by the 7th Plenum of the Party Central Committee, and the speech of Comrade Enver at the meeting of the Politburo of the party Central Committee on 22 April of this year about economic-financial problems, as well as the recommendations and the tasks of the 8th Plenum of the Party Central Committee, currently a series of problems are being studied in cooperation with the districts, the ministries and the scientific institutions of the country, to further perfect the methodology and some other questions of relations in the field of distributions and compensation, related to the further strengthening of the planned management of the economy.

The perfection of the planned management of the economy today and in the future is related to the further deepening of the struggle against tendencies of globalism in the field of planning and to the fulfillment of the plan tasks which continue to be encountered in the practice of the organizational and management activity of the various state and economic organs, a practice which reduces to some extent the scientific level of planning. Therefore, during the study, special attention is being devoted to the seeking of the most suitable roads and forms which assure the perfection of planning in enterprises and cooperatives, in order to implement the established methodological criteria for planning in kind. The fullest possible solution of this fundamental issue of our socialist planning must be found by defining the ways and the measures to further perfect planning according to quality, productivity and cost per unit of production.

The aim of all these is that the plan define as correctly as possible the tasks of production in quantity, assortment and quality for the enterprises and the cooperatives, especially those which have a wide range of products and assortments so as to better fulfill the needs of the people, of the economy and of defense; by coordinating these also with the tasks of conserving as much as possible live and material work, not only in global terms, but, above all, also per unit of production and assortment.

Also, means of obtaining a fuller coordination of the indicators of the financial plan with the economic indicators where gaps are to be found today in the practice of planning work of the enterprises and cooperatives, and ways to better solve the problems related to the perfection of the norming of the means of circulation, of bank crediting and so forth must be studied more concretely. These issues require the best possible solution of the problems of methodology and of methodics which are related to the utilization of expenditure preventives and of crop accounts in the enterprises and cooperatives, so as to arrive at a better coordination and evaluation of the units of the economic plan with the indicators in value, especially of the expenses in the field of production and in other socioeconomic activities.

But planning in kind, and the entire scientific planning and management of the economy, cannot be put in practice successfully without further perfecting control over plan implementation in every link of the economy and without the fullest and most precise records of the entire economic-productive and financial activity of the enterprises and cooperatives. The improvements to be made in the system of statistical and accounting records in every link of production, must aim not only at enforcing quantity and assortment of production, but at the same time must have knowledge of the quality and quantity of the work time used for every product, the cost required to produce them, and to create the best possible conditions to deal with the problems arising in the field of their realization. The objective must be to strengthen the control and the pursuit of plan fulfillment everywhere, to confront the phenomena and to take measures at the right time, so that the plan tasks are realized properly in all indices.

On the basis of this must be improved the forms of accountability of the highest and lowest organs through systematic analyses and broader operational, statistical and accounting records, and for shorter time periods, of all the achievements in plan fulfillment, by taking into consideration here also the completion of thorough study analyses on the basis of the experience gained regarding the issues in connection with progress in expanded socialist reproduction.

The perfecting of planning requires not only the perfection of criteria, methods and so forth, which are related to the documentation and planning of tasks in the field of the development of productive forces, but also the perfection of socialist relations in production, especially in the field of distribution, exchanges and consumption of social product. The more correct use in the process of planning and plan fulfillment of the economic categories and levers, as well as the continuing perfection of the various aspects of expanded socialist reproduction which are an expression of relations in management in the field of distribution and of exchange of material goods, in accordance with the present level of development must guide the economic and social development of the country. The question here is to determine the best ways to use the wage system in the state sector and work compensation in agricultural cooperatives with greater effectiveness, in order to turn them into true incentives, into more powerful levers, in order to mobilize the workers in the fulfillment of the plan, but at the same time not permit the creating of great differences in income which would be of great consequences to our socialist economy.

Also, the studies which are being carried out must aim at solving the problems to be found in the field of contractual relations, of finance and of other relations between the enterprises and agricultural cooperatives, as well as between them and the bank, by also defining the measures to overcome the shortcomings which exist, and which in many cases become a hindrance to scientific planning and the fulfillment of the plan.

The tasks presented by the further perfection of the organization and management of the economy, and the further development and execution, in all the spheres of the country's life, of a broad and comprehensive research and scientific work, have also made it necessary to make improvements in the organizational structures of the various links of management in the economic and social sectors. Through the studies being carried out in this direction, we aim at achieving a more complete implementation of the recommendations issued by the party to further raise the effectiveness of management in all the links. This must be achieved entirely through a more rational use of the quotas approved in the existing structures, by improving the ratios between laborers and office workers, and not by resorting to exaggerated and unsound increases, as is the case in regard to tendencies evident in some state and economic organs.

Therefore, the improvement of organizational structures must be achieved through measures to strengthen the work organization of the state and economic organs and of their apparatuses, by assigning to each a full task, by improving the workers' skills, and by introducing machines in the work of accounting, statistical recordkeeping, of bookkeeping, and so forth.

The plan, in itself, is the result of a creative scientific work. Hence, all the state and economic organs must correctly understand and execute the measures which must be taken continually, so that the work in drawing up the plan, from the enterprise and up to the economic cadre, is preceded by studies carried out by all the branches of science and all the state and economic organs and their apparatuses.

Although the established methodological criteria make it necessary for the scientific studies to precede the plan, and in spite of the progress made, especially in recent times, in research and scientific work, the studies do not adequately respond to the tasks which the party has presented and presents in the development of the economy and culture for a number of issues and in some directions. This situation arises not so much because the possibilities do not exist, but because of the erroneous concept of some management organs and cadres that the planning process is more an administrative activity, by relying on some data which are not sufficiently the result of scientific, technical and technological studies and of thorough economic-financial studies and analyses. This is also the source of those manifestations which continue to be observed, in some places more and in some less, in the various links of production and of management, where the specialists and the cadres of various professions are not properly involved in continuing work and long-range studies, for the development of the sectors in which they work.

There are many possibilities in this direction if we keep in mind the fact that in production and in other sectors and in the management of the economy there are currently employed over 46,000 specialists and higher cadres, tens of thousands of other middle-level specialists and exemplary

workers and cooperative members who constitute a large human force for the advancement of production and technical-scientific revolution. Today we have, in addition to the Academy of Sciences and some institutes, many other scientific research institutions and units, technological bureaus and study groups attached to the enterprises and other links of management, as well as a substantial number of educational and scientific workers from Tirana University and other higher schools.

The better management of this great mass of workers of our Albanian science to carry out studies in the various fields of the development of productive forces, the perfection of socialist relations in production and in all the other spheres of endeavour of the country, must lead to the elevation of the level of knowledge, for a more scientific planning and management, to maintain higher rates and greater economic effectiveness in social production, and to solve, by relying on our own forces, the great problems which the full construction of the socialist society presents. Important tasks arise for us, for all state and economic organs and scientific research institutions to expand the completed studies related to the drawing up of the Seventh Five-Year Plan, so that the projected tasks will not only be documented, but also so that their realization will be guaranteed.

Regarding this issue, it is necessary for us state and economic organs to reflect as thoroughly as possible upon the recommendation made by Comrade Enver Hoxha at the Eighth Plenum of the Party Central Committee, that: "The tasks contained in the report on scientific research work, which was presented to the plenum... must be considered as an integral part of the 5-year plan which we are preparing. Science must help the planning of production, must lead production and must open prospects for the development of the economy and culture."

We must also do better work so that economic studies and problems of scientific planning will be the permanent object of the work of the economists, financiers, engineers, agronomists and other specialists, with concrete tasks and with a stronger requirement of accountability for their implementation and for the development of economic thought in the enterprises and cooperatives and in other economic and state organs.

The fulfillment of all the objectives presented by the Eighth Plenum of the Party Central Committee, confronts us with the following tasks: together with the scientific institutions, we must better study and define the roads and the measures which must be taken to perfect the methodology of drawing up the plan of the scientific research work itself, for documentation, with the technical material basis and with the workers needed for the execution of studies as well as with the content itself of the subject and the effectiveness of the problems which will be solved by their study and execution, to better guarantee the objectives which are set in the plan. By drawing our tasks from the materials of the Eighth

Plenum of the Party Central Committee and the pragmatic speech which Comrade Zaver delivered to this plenum, the workers of the state and economic organs, and in this framework all the economists, will keep at the center of attention the perfecting of planning and of methodology, so as to always and better serve the raising of their role in the entire socioeconomic activity of the country, from the base and to the center, and for the proper fulfillment of the tasks defined by the state plan.

5112

CSO: 2100

SHORTCOMINGS IN ACTIVITY OF SAVINGS BANKS CITED

Tirana BASHKIMI in Albanian 17 Jul 80 p 2

[Article by Fadil Kepi, director of the Institute of Savings Banks and Securities: "Savings Deposits--An Indicator of the Rise in the Well-Being of the Working Masses"]

[Text] As a result of the correct policy of the party, of the uninterrupted strengthening and development of the economy and the continued rise in the well-being of workers, savings deposits have also increased from year to year. All the districts of the country have achieved good results in increasing savings deposits. At the end of 1979, they increased 3.4 times in comparison with 1965, and over 2 times in comparison with 1970. Today, the network of savings banks has been expanded everywhere. Our entire country is served by 26 branches with 100 savings banks and about 3,400 accounting offices in work centers and in agricultural cooperatives.

The number of depositors and the average deposit amount per worker has grown steadily from year to year and in every district. In 1979, the number of new depositors increased by about 72,000, whereas the average amount of deposits has increased continually from year to year. Marked changes have taken place also in the structure of savings deposits. The majority of depositors are workers and cooperative peasants whose numbers have tended to increase from year to year. In 1960, the deposits of workers and of agricultural cooperative members amount to 42 percent, whereas in 1979 they were about 70 percent of all the deposits. In 1979, there was one savings account for less than 3 persons, in comparison to one savings account for about 7 people in 1960.

The savings banks, as important organs of our financial system throughout the country, are used by the people to deposit a part of the temporarily free monetary resources. The savings deposits which are temporarily free are used as supplementary resources to finance and further develop the economy and to accelerate monetary circulation. By taking into consideration the fact that our lek is one of the strongest currencies in the world, which knows no devaluation and inflation so common in the bourgeois-revisionist world, the income which the population earns through the 2-3 percent of interest paid for the money deposited, further contributes to

the increase of well-being. In order to further help the depositors, in addition to the expansion of the network of savings banks and savings offices in work centers, facilities have been set up for the depositors for speedy service. The savings book gives every depositor the right to withdraw his money from any savings bank of the Republic. Even in cases of loss of the savings book, the money of the depositor is nevertheless guaranteed and the deposited money is not endangered at all. The depositor is provided with a new savings book, and he continues to enjoy all the rights he had before.

We are aware that despite the achievements, much remains to be done by the workers in the savings banks and insurance area, both in increasing savings deposits and improving services to the people. We have concentrated our work on improving propaganda to popularize the importance of increasing savings deposits as a means of correctly combining the general interest with the individual interest. This requires that the workers of the savings banks further increase their cooperation with the mass organizations in work centers and in the city quarters, so as to turn the practice of savings in every family into an inseparable part of their daily life. Experience has shown that the best propaganda is the continual improvement in serving the people, for the depositors to be served more quickly, better and in a polite manner, and for the bank workers to waste as little time as possible in carrying out their functions. This problem has been of considerable concern to us, because as is known, today the savings banks perform other activities too, such as issuing paychecks to retirees, collecting bills for communal services which are constantly increasing. Lately, as a result of the closer cooperation with some retirees, financial organs and mass organizations, there has been improvement in paying the checks to retirees by setting up a proportionate distribution system for the savings banks on established days. This form of work has made it possible to expedite payments to the people. But there are greater possibilities for improving the level of our work and continually perfecting it on the basis of the experience gained. All workers of the savings banks and insurance field must therefore try harder to perfect our method of work and management. Despite the improvement in our work, there are still shortcomings and weaknesses, above all as regards the strengthening of internal work, of the precise execution of financial discipline, of the laws and rules established for this purpose. These have been more evident in Puke District, Kruje District and others. From the investigations carried out this year in some branches of savings banks, we have concluded that it is possible to avoid these shortcomings, that they are subjective, and that they are a result of the poor knowledge of the rules which determine the process of activities, and in some cases are also the result of liberal attitudes of some workers. The workers of the savings banks and insurance field, and all the workers of the financial system, must be characterized by correctness and accuracy in their work and all activities.

An important role is also played by the financial investigation and auditing branch. No savings bank or agency can fail to be audited within the established deadlines. The plan of unscheduled auditing and investigation is being practiced and carried out quantitatively and qualitatively, further elevating the role of preventing shortcomings and weaknesses. Last year, Shkoder District, Vlore District and Elbasan District did not fulfill the investigation auditing plan. In the same way, the investigation auditing plan of the savings agencies was also not fulfilled in some districts; this should have been carried out by the auditors of some work centers. Shortcomings have also occurred in work in Fier District, Lushnje District and others. The directorates of these branches, in cooperation with the investigation and auditing sections of the districts, must fight harder so that the investigation of the savings agencies will be carried out within the established deadlines and with good quality, and they must combat the mistaken notion of some auditor of the enterprise or agricultural cooperative that it is not up to him to exercise control. These activities harm the work and open the door to evil-doers.

The closer cooperation with the financial directorates and central ministries, the investigation and auditing and finance sections and the state and agricultural bank, has made it possible for the problems of the increase of savings deposits not to remain problems of the workers of savings banks, but has enabled these organs to monitor them by correctly evaluating them and by considering them as their duties. We are devoting greater attention to the close cooperation with some of the agricultural cooperatives and the peoples councils of the unified villages, where the number of potential depositors is still low. The objective is for all the peoples councils of unified villages to open savings agencies. A good work is being done in this connection in Korce, Erseke, Vlore and Mat districts. In order to implement these duties, we are paying attention to the further improvement of workers' skills through correspondence schools, seminars, and other forms of education, so they can familiarize themselves with and accurately implement our socialist legality.

5112

CSO: 2100

CONSTRUCTION INDUSTRY PRESENT, FUTURE EVALUATED

Prague PLANOVANE HOSPODARSTVI in Czech Nos 5, 6, 1980

[Article by Eng Vladislav Knoch, State Planning Commission: "The Construction Industry in 1980"; passages enclosed in slantlines are in bold-face in original]

[No 5, 1980, pp 30-41]

[Text] Currently, political and economic initiative is aimed at fulfillment of the tasks assigned by the 14th KSC Central Committee session and the plan for 1980, and at preparing the draft plan for 1981 and the foundations for the draft Seventh Five-Year Plan.

It was stressed at the 14th KSC Central Committee session that construction industry workers are required to carry out consistently the tasks laid out for them by the Sixth KSC Central Committee session. These involve primarily the activization of potential construction capacities throughout the construction industry and in all spheres of comprehensive socialist rationalization. The necessary conditions for this must be assured both by the investors in and purchasers of construction capacities, of whom timely planning and site preparation are required, and by the other sectors of the national economy which create the material and technical base for construction.

The performance of the 1980 plan concludes the Sixth Five-Year Plan and is the initial basis of the Seventh Five-Year Plan, which makes it necessary that the development of the construction industry be oriented towards the economic conditions of the latter and that a smooth transition from one five-year plan to the next be assured. Implementation of the 1980 plan too must be directed with a knowledge of the basic directions of development of the construction industry in the Seventh Five-Year Plan, in particular as regards adapting the structure of the construction sector to the requirements of capital construction, concentrating manpower and production facilities on the key substantive tasks and geographical priorities, and, in technical development, constantly seeing to it that the consumption of

fuel, energy and metal is decreased and using the reserves of manpower and capital assets more effectively by increasing management and organizational quality.

/It is a basic task of the construction industry to adapt and develop the structure of its capacities in keeping with the requirements of capital construction, reconstruction and repair of capital assets, buildings and structures. This means filling out the production enterprises' production programs with construction projects in keeping with the aims of the state plan and carrying them out in time periods which are in accord with the requirements of the national economy. The Czech and Slovak construction ministries are of key importance in the performance of capital construction. In addition, the state plan imposes on the other central organizations which manage contracting construction organizations the requirement of using construction capacities in keeping with the requirements of the national economy. Thus the structural development of the construction industry has a sectoral character (even when limited to the contractor construction organizations), and its efficiency and flexibility require that specialization and cooperation between construction enterprises within the sector be deepened./

In terms of its organizational structure and the associated division of labor, the construction sector includes construction organizations managed by federal agencies (the Federal Ministry of Fuels and Power, the Federal Ministry of Transport, the Federal Ministry of Metallurgy and Heavy Engineering and the Federal Ministry of National Defense), by the Czech and Slovak construction ministries and by the national committees (District Construction Enterprises and Silnice National Enterprise), and the ministries of agriculture and food. The breakdown of their work in capital construction during the Fifth and Sixth Five-Year Plans and in the plan for 1980 shows the following developmental trends:

	Index:	Average annual pace		Percentage of		
	<u>1980 plan</u> 1979	6th Five- Year Plan	7th Five- Year Plan	<u>total amount of work</u> 1980 1975 1970		
Capital construction overall	104.2	5.0	7.4	100.0	100.0	100.0
Organizations managed by:						
Federal agencies	98.3	0.3	8.4	9.3	11.7	11.2
Czech and Slovak construction ministries	105.2	5.6	7.9	77.3	74.5	72.9
Czech and Slovak national committees	101.5	5.2	3.3	9.8	9.7	11.8

The share of the construction organizations managed by the Czech and Slovak construction ministries has increased slightly, which is in accordance with the directing of their construction capacities toward key investment programs of the national economy. It appears that the share which they have attained is near the upper limit of efficient division of labor in the sector and that more capacities for the new investment programs must be created by regulating the content of the construction enterprises' production programs for 1980 and by completion of construction projects.

Concentrating the construction capacities of the construction ministries on national economic priorities requires both faster completion of construction projects and the use of the advantages of division of labor in the construction sector. This means in particular that enterprises in the construction ministries are to carry on construction projects amounting to less than 2 million korunas MN (budgetary expenditures) only when they have a technological relationship to projects which have been designated priority tasks of the state plan and are associated with capital construction in areas of concentrated capital construction. Carrying this conception through requires rather consistent coordination of production programs, primarily in the departments which are carrying on capital construction either with their own construction capacities or with those of the construction ministries.

/The sectoral load on construction capacities is specified by the state plan. An important role in preparation for the Seventh Five-Year Plan is played by guiding their utilization in terms of cooperation in the performance of capital construction in the national economy, particularly between construction organizations managed by the ministries of construction and construction organizations managed by the central federal agencies in the performance of their own capital construction. The case is similar for construction organizations managed by the national committees and construction enterprises of the ministries of construction and other departments./

/More thorough specialization and cooperation, not only within the individual departments, but in the supplier and subsupplier system for performance of capital construction, is one way of speeding up the capital construction process and making it more efficient, bringing about a more flexible structural transformation and making more uniform use of construction capacities within the sector.

The state plan specifies the breakdown of utilization of construction capacities for capital construction, export and repair of capital assets, buildings and structures. Maintenance of the main balances between capital construction and utilization of the construction capacities in the state plan for the individual central organs, the middle management levels and the direct investors and suppliers is an extremely complex process which demands maintenance of national economic proportions.

One negative influence of supplier-purchaser relations is the urging by some to carry out construction projects which deviate from the established concept of capital construction of the individual sectors and branches. In this situation, requests in excess of allocated investment resources are primarily explained as a lack of balance in the state plan. The essence of these divergent approaches, however, is the pressing of requests in excess of the planned construction capacities, frequently at the cost of increasing the amount of unfinished construction and lengthening construction time. Another factor in these deformations of the intent of the state plan is the enterprise interests of the suppliers, for it is beneficial to start construction projects given the current breakdown of the machinery inventory and of worker skills. A further factor is hitches in the supplying of construction projects and performance of specialized work, which slow down progress on uncompleted projects and provide room for increasing the number of starts. In sum we may state that enterprise interests are asserted in conflict with the established proportions of the state plan and the balanced supplies of construction capacity.

These questions gain in importance in preparing for the Seventh Five-Year Plan; discipline and adherence to prescribed limits is one of the most important preconditions for improving the quality of the planning process and management of capital construction. Criteria similar to those for poor-quality products should be used for poor-quality foundations for the national economic plans involving nonadherence to the basic parameters and limits.

In this connection it is useful to recall the decree of the CPSU Central Committee and the USSR Council of Ministers on improving planning and increasing the influence of the economic mechanism on increasing production efficiency and labor quality, which stated that the five-year and annual plans of the production enterprises must be developed on the basis of economic and engineering calculations, i.e. within the framework of the input and output data specified by the plan.

The use of construction capacities in the state plan is guided by the system of balances, priorities and priority tasks, which are specified in a directive manner and form the axis of supplier-purchaser negotiations. A knowledge and understanding of these, in connection with economic policy, is a basic precondition for improving the efficiency of planning work and deepening substantive performance of the state plan.

The state plan guides the utilization of construction capacities in accordance with the structure and territorial distribution of capital construction. The guideline balance of construction work for capital construction specifies in the plans, and also in the 1980 plan, the amount of work that can be done for the individual central investors by the contractors' central offices. This in essence limits the amount of capacity for specific central investors, while their specification along

the vertical management axis, together with supplier-purchaser negotiations, fulfills the investment program of the state plan./

The state plan for 1980 has been drawn up in accordance with expected plan fulfillment for the preceding year, and it was necessary to allow for possible slippages on individual projects. Accordingly, the 1980 plan allocates some construction capacity for making up shortfalls in projects worth more than Kcs 2 million RN. Thus the state plan creates some leeway in capacities for making up unfulfilled tasks of the previous year and accordingly for holding steady or possibly decreasing the amount of unfinished construction. Thus it is a case of making the performance of capital construction more realistic, and in monitoring plan fulfillment for 1980 it must be consistently required that these reserve capacities be treated in accounting as specified by the state plan.

The large amount of uncompleted construction and the consistently low mobility and adaptability of construction capacity to the requirements of capital construction, together with the limiting supplies of certain materials and products, require that within the overall amount of work, priorities be set in the performance of planned tasks; these are also basic criteria for evaluating plan fulfillment. Long-standing failure to fulfill the capital construction plan in projects worth more than Kcs 2 million RN decreases their national economic effectiveness and requires their priority performance by the construction organizations and the investor departments.

The 1980 state plan establishes the priority task of providing construction work for projects worth more than Kcs 2 million which are subject to regulation of the amount of incomplete construction by means of a limit on budgeted expenditures for construction starts. The total quantity of such work to be provided varies for the different central suppliers and construction enterprises. For Czechoslovakia's construction organizations as a whole, the share allocated for regulated projects worth more than Kcs 2 million RN is 46 percent of the total, with a figure of 44 percent for construction organizations managed by federal agencies, 49 percent for those managed by the Czech and Slovak construction ministries and 24 percent for those managed by national committees. The priority of plan fulfillment in these projects is also expressed through regulation of wages payable. When the planned output quantities are exceeded, the economic organizations may revise planned expenditures only to the extent that they exceed or at least fulfill the delivery figures.

The state plan priority for products worth more than Kcs 2 million RN will continue in force; but in the directives for the 1981 plan it is specified in detail for the totality of projects worth more than Kcs 2 million, other than comprehensive dwelling construction, which has independent conditions. The plan directive gives the construction enterprises basic guidance in the utilization of construction capacities.

Thus, in carrying out this year's plan and preparing for 1981 it is essential to create the technical and organizations conditions for concentrating capacities on these projects.

The increased specificity of the tasks and the heightened directive nature of the employment of construction work in the state plan increases the demands for input information and its analysis, and in this connection the request for stability of the five-year conceptions of the state plan is justified. The use of machine processing of the production programs of construction enterprises in the ministries of construction, and gradually throughout the construction sector (each project has its own card which specifies its characteristic technical, production and economic parameters), will make it possible to tie the national economic balances of construction capacities more closely to the construction system for all levels of planned management of construction work and for the other participants in investment process.

/This system will also be used in drawing up the Seventh Five-Year Plan and will be linked with tested and proven regulation of the structure of construction capacities specified by the guideline limits on the furnishing of construction work to the individual central investors, within which not only all uncompleted construction in the Sixth Five-Year Plan, but in addition all priority tasks, centralized construction projects and selected investment programs being prepared for commencement in the Seventh Five-Year Plan must be covered. The filling out of the performance program with other construction projects will be checked at the supplier and investor level and will be discussed by the central organs both in overall terms and separately for products worth more and less than Kcs 2 million RN within the framework of the above limits./

Past experience indicates that hard and fast delineation of the production program, with a full load on planned production capacities for the five-year plan, has a negative effect on carrying out the construction projects, because an allowance must be made for refining individual production project figures in the annual plans. In particular, full performance on priority projects requires a certain degree of freedom as regards capacities, which must be allowed for in drawing up the 1981 plan and the Seventh Five-Year Plan.

The extent of this freedom will differ with individual enterprises according to the nature of the construction. But the main requirement is that it make possible, in plan fulfillment, an adjustment to the priorities of the national economy, in keeping with designated construction schedules and the deadlines for putting capacities into operation.

The procedural instructions for developing the draft Seventh Five-Year Plan specify that construction enterprise production programs throughout the construction sector should be machine-processed into data structures that will make it possible to arrange basic cooperative relations and

division of labor within the construction sector. The use of these methods in preparing the Seventh Five-Year Plan depends throughout and fundamentally on disciplined, high-quality preparation of the base data, particularly in the organizations in which this system will be introduced. This system, which effects a linkage of the building performance plan with the capital construction plan, is an approach to modeling the comprehensive satisfaction of the requirements of capital construction by means of complete knowledge of the production program and a higher degree of management of the investment process throughout the sector.

Another priority category of the state plan for construction organizations is the quantity of work on construction projects designated priority tasks. Also included in this category starting in 1980 will be the amount of work on centrally reviewed construction projects designated for completion. The capacity committed to these projects out of the total quantity of capital construction work is as follows:

(%)	1976	1977	1978	1979	1980
Construction organizations managed by:					
federal organs	25.2	19.4	18.6	27.1	19.6
CSR and SSR ministries of construction	21.6	22.9	23.3	23.7	24.6

The proportions given characterize the breakdown of utilization of capacities according to state plan priorities; but in addition, the amounts of work in areas of concentrated capital construction are also included as priority tasks.

/The 14th KSC Central Committee session stressed that the construction organizations must more consistently concentrate their capacities on key investment programs. The plan for 1980 designated for the individual priority projects the quantity of work to be done, progress deadlines and the required deliveries of structural members. In addition, the operating conditions needed to assure these progress deadlines and project completion deadlines in accordance with the state plan are worked out for individual projects. Possible adjustments on the amount of work on state plans away from the state plan figures are possible only when the total amount of work required to be provided by the individual central supplier organs for the individual central investor organs is preserved./

In the state plan for 1980, 264 projects are designated as priority tasks; 37 of these are in the North Bohemian Kraj. In addition the specifications of the amount of work on compulsory projects includes amounts of work for 116 projects centrally reviewed as regards completion.

Fuel and energy base projects have priority in the performance of these projects.

In the past, even when they failed to fulfill their plans for capital construction work, the construction organizations fulfilled and over-fulfilled their assignments for total quality of work on priority projects, but in individual projects this was not always done in a way commensurate with real progress. Accordingly, in evaluating fulfillment of this year's plan during the course of the year, the main stress must be placed on meeting deadlines for handing capacities over and putting them into operation and on completion of projects, including progress deadlines which are critical for handing over selected capacities and putting them into operation. This means valuing substantive fulfillment of the targets for construction progress over fulfillment in value terms. In keeping with the stress on the importance of priority projects, which are mostly critical for expanded socialist reproduction, completion schedules must also be maintained on the other projects, thus decreasing the amount of uncompleted construction.

In keeping with what is emphasized above, the according of priority to key projects cannot be combined with approaching the other capital construction projects as supplementary production, thus making it possible to make up shortcomings in the reproduction process and possibly also poor-quality management and organizational work. The current priority accorded to key projects is not an economic category, but the result of shortcomings in the performance of capital construction. The aim of the management process is to achieve uniform plan fulfillment in accordance with the deadlines laid down in economic agreements on all construction projects included in the production program. The path to this goal is faster concentration of currently dispersed capacities. Experience indicates that this task must be approached with specific measures in the production program of each production enterprise, for we cannot rely solely on the effects of the incentive system.

According to data from the Czech Ministry of Construction, the current structure of the construction enterprises' production programs for capital construction, given in terms of the number of projects in the Czech Socialist Republic, is as follows:

	<u>Total construc- tion</u>	<u>Priority projects</u>	<u>Priority worth over Kcs 2 million RN</u>	<u>Priority worth under Kcs 2 million RN</u>
Overall				
number of projects	7,140	739	2,893	3,508
percent	100.0	10.4	40.5	49.9
Performed by organi- zations managed by:				
federal organs				
number of projects	1,141	114	512	515
percent	100.0	10.4	44.9	45.1
ministry of construc- tion				
number of projects	3,145	524	1,772	849
percent	100.0	16.7	56.3	27.0
national committees				
number of projects	2,854	101	609	2,144
percent	100.0	3.5	21.4	75.1

The current situation, characterized by dispersion of capacities over a large number of projects, requires development of specific organizational and management measures, in cooperation with the other participants in the investment process and within the planned quantities of work. This will speed up work on projects which are important for the national economy because they conserve energy, improve export capabilities, represent anti-import measures, and the like, possibly at the cost of other projects which, according to these considerations, may be put into operation on slower schedules.

The utilization of construction work in the national economy is specified by the state plan over the organizational structure of the investors and according to the importance of the project (projects worth more than Kcs 2 million RN, priority projects). Also specified is the territorial distribution of construction capacities in accordance with the program for capital construction in the Czech socialist republic and the Slovak socialist republic, and also in the areas of concentrated capital construction, which include Prague, the North Bohemian KVV [Kraj National Committee] as priority tasks; their fulfillment is a criterion of fulfillment of the enterprises' planned tasks used in running evaluation of plan fulfillment, while the recomputation of planned wage expenditures for overfulfilling the planned quantity of production is linked to it.

The territorial specification of priorities is a result of the fact that the current distribution of construction capacities is not in accordance with the geographical requirements of capital construction, and that these disproportions must accordingly be made up by transfer of construction capacities.

The essential aspect of the transfer of construction capacities is relocation of workers to projects outside the area of their permanent residence. The existing distribution is the result of historical development and it has not been possible to overcome it in the time required through planned regulation or to relocate capacities in accordance with the requirements of capital construction. The basic task is that of building local construction capacities and creating mobile capacities which can equalize supply and demand, particularly as regards specialized trades and types of work within the oblasts and republics, or sometimes nationwide.

The development of construction capacities and the meeting of needs for construction work in terms of geographic distribution is one of the most complex and demanding tasks of the construction industry, because their fulfillment entails transfers of workers, which are and will be an increasingly demanding problem because of the high standard of living and the strong demand for manpower. The construction industry has been generally successful in mastering these difficult tasks, and during the Fifth and Sixth Five-Year Plan the following concentration of construction capacities has been achieved in relation to requirements of capital construction: /

Location of construction work	I n d i c e s			Percentage of total amount of work		
	1980 1979	1980 1975	1975 1970	1980	1975	1970
CSR	103.6	121.2	150.0	100.0	100.0	100.0
in Prague	102.6	125.8	200.8	18.8	18.1	13.5
in North Bohemian KNV	103.1	124.3	173.1	15.7	15.3	13.2
SSR	104.2	130.7	154.6	100.0	100.0	100.0
in Bratislava	107.5	129.4	212.2	15.1	15.3	11.1

The table indicates the high degree of geographical concentration of construction capacity; a third of all construction work in the Czech Republic is done in Prague and the North Bohemian KNV.

The overall figures do not adequately express the demands of the task. For example, the Ministry of Construction carries out almost 40 percent of its building work in these areas.

Concentration of construction capacities and their transfer from kraj to kraj were particularly intensive during the Fifth Five-Year Plan; overall,

production increased by Kcs 9.5 billion in this period and by an additional Kcs 4.7 billion over this high level in the Sixth Five-Year Plan. During the Fifth Five-Year Plan, in order to assure increased output in these areas, an increase of about 40,000 workers was required, which made possible a broadly-conceived social program and particularly the construction of residences comparable to hotels. A material and production base was built at the same time, although it must be stated that this was not done intensively enough and for the most part fell behind construction requirements, and that the production bases still do not fully utilize the benefits of sectoral integration.

The construction industry is handling the planned quantity of construction work for the Sixth Five-Year Plan in areas of concentrated capital construction, although substantive plan fulfillment lags behind the capital construction program and is affecting the smoothness with which both public utilities and facilities and projects on which development of the fuel and energy base depends are made available. The carrying out of this year's plan and the preparation for 1981 require creation of the conditions for smooth construction and for the corresponding smooth utilization of workers and machinery. In these areas in particular, the Soviet construction industry sets an example in the mastery of demanding tasks with a high level of geographical concentration, whether it be residential construction in Moscow and other cities, or industrial construction in areas with reserves of raw materials, and it does so under incomparably more difficult natural conditions and with longer transport distances.

The connection and coordination of the capital construction plan with the construction work plan make the tasks in comprehensive residential construction (KBV), apartment construction and construction of the public utilities and facilities of residential towns more specific. The state plan explicitly sets the assignments for comprehensive residential construction and specifies the number of apartments required to be completed in order to accomplish the social program of building a developed socialist society. In the Fifth and Sixth Five-Year Plans, construction work on comprehensive residential construction developed as follows:

	I n d i c e s			Percentage of total work on capital con- struction		
	<u>1980</u> 1979	<u>1980</u> 1975	<u>1975</u> 1970	<u>1980</u>	<u>1975</u>	<u>1970</u>
CSSR overall	110.5	129.3	127.7	30.9	30.4	34.2
By CSR and SSR minis- tries of construction	109.9	127.9	130.3	91.4	92.4	90.6

In the breakdown of work by contractor organizations, about 30 percent of the total was on comprehensive residential construction, which is 90 percent carried out by construction organizations belonging to the Czech and Slovak ministries of construction. Comprehensive residential construction accounts for almost 40 percent of these organizations' total capital construction work and is a key factor in their fulfillment of both the production plan and the economic indicators.

There is a systematic failure to accomplish the planned amount of comprehensive residential construction, particularly public utilities and facilities of residential towns. For Czechoslovakia as a whole, the plan for 1979 was about 93 percent fulfilled. Thus Kcs 1.4 billion worth of work was not done. For the Sixth Five-Year Plan, nonfulfillment amounting to about Kcs 3.8 billion is expected. The planned pace for 1980, with a growth rate exceeding 10 percent, is a highly demanding task compared with the approximately 3 percent growth rate achieved in 1979 and requires, in relation to the tasks of the Seventh Five-Year Plan, the creation of the technical and economic conditions for continuing mastery of capital construction.

The causes of the current state of affairs are well known, and all participants in capital construction have a share in them, starting with territorial and planning unpreparedness and lagging development of the production base for new standardized systems, and extending to nonfulfillment of their duty by sub-suppliers of construction work and suppliers of materials and products. These shortcomings are centered particularly in the regions of concentrated capital construction and represent the main problem in assuring plan fulfillment for 1980.

The construction tasks which are part of comprehensive residential construction are being fulfilled. The 1980 plan requires the contractors to complete 92,415 apartments, about 10,000 more than were made available in 1979; the 1979 increase over 1978 was not quite 2,000. This comparison indicates the demanding nature of this year's plan, whose fulfillment is essential for achieving the planned number of apartments for the Sixth Five-Year Plan.

The apartment construction assignment itself is being fulfilled, although with major hitches during the year in making them available. But this was preceded by the construction of a modern production base in the first half of the 1960's, when 18 panel plants with a capacity of about 20,000 apartments were put into operation. In addition we should note that the basic precondition for fulfilling the planned tasks regarding the economic parameters of the industrialized building industry is the development of a modern production base, and accordingly this is also a primary task in connection with the Seventh Five-Year Plan assignments for fulfillment of its own capital construction plan by the building industry's production base.

Apartment construction is being carried out by the contracting and cooperative construction organizations and by public self-help. During the Fifth Five-Year Plan, about 615,000 apartments were made available; 394,000 by the contractor organizations, 167,000 in single-family houses, and 54,000 by cooperative self-help. During the Sixth Five-Year Plan it is expected that the planned assignment will be exceeded and about 650,000 apartments will be made available; the increase will be primarily from the contractor organizations.

Apartment construction has developed into a highly industrialized branch of construction in which currently an average on-site labor consumption of about 320 hours per apartment has been attained, with conditions favorable for a further decrease. However, it is necessary to concentrate on decreasing overall labor intensiveness (including nonconstruction-site labor intensiveness), particularly in the prefabricated product plants and auxiliary operations, by minimizing investment intensiveness when economizing on labor.

However, the construction industry is faced with entirely new tasks resulting from the requirement of reconstructing existing apartments. In the next five year plan we must expect that 40,000-50,000 apartments will be involved. Even though this year the problem does not directly affect production, it is nonetheless necessary to solve it, particularly in relation to the production base, for the Czechoslovak construction industry does not have very extensive practical experience in this type of construction.

/During the Sixth Five-Year Plan the construction industry began to assert itself more on foreign markets, primarily in the socialist countries in the construction of oil and gas pipelines, the electrification of railroad lines and even in industrial and residential construction. The mastery of these tasks was on a high level, and in national economic terms contributed to providing raw materials and especially natural gas for the Czechoslovak economy. At the same time, it was confirmed that construction capacities are an export commodity which is in demand and that a slowing of the pace of investment creates some leeway for using capacities on external markets./

The technical and economic level of the Czechoslovak construction industry is competitive in world markets, and in carrying out this year's plan and preparing for 1981 the possibility of export to both socialist and non-socialist countries, as well as the resultant economic advantages for our national economy, must be examined. The state plan creates possibilities for expansion of export activity, primarily for the Ministry of Construction and specialized capacities of the federal ministry of fuels and energy.

Even given the rapid pace of the export assignments, their share in the Fifth Five-Year Plan did not achieve even 1 percent of the total capacity

of the contractor organizations in capital construction. During the Sixth Five-Year Plan it is expected that this value will be exceeded, and the possibilities for the Seventh Five-Year Plan period are as high as approximately 4 to 5 percent.

Performance of export tasks has its own unique characteristics and differences from export of industrial products, particularly in the fact that it requires transfer of workers. In addition the forms for carrying out production projects in the nonsocialist countries, where it is possible to hire manpower, differ from those in export to socialist countries, where it is necessary to use one's own resources.

Effective export of construction work requires mastery of both the technical and organizational aspects. This entails creating the preconditions in prospective population centers by building a social and production base and concentrating the export tasks in the construction organizations which have the technical and manpower capabilities needed. Thus this involves the area of utilization of construction capacities, which previously lagged behind the tasks of domestic capital construction. Past experience indicates that the need to develop, within comprehensive socialist economic integration, not only scientific and technical cooperation, but also specialization and cooperation in supporting the investment programs of the CEMA countries with construction capacities, has become pressing.

The system of balanced utilization of construction capacities for the needs of capital construction in the national economy together, as well as for export, has been described in some detail as regards state plan indicators, which are broken down and made specific by supplier-purchaser relations in the construction enterprises' production programs. However, in addition to the contractor construction organizations, organizations engaged in construction work which are not included in the plans for contractor construction organizations, i.e. nonconstruction organizations, also take part in capital construction.

Their share in meeting capital construction requirements is as follows:

Location	Indices		Percentage of		
	<u>1980</u> 1975	<u>1975</u> 1970	<u>total amount of work</u>		
			1980	1975	1970
CSSR					
construction organizations	127.1	143.8	77.4	73.5	71.2
nonconstruction organizations	103.6	117.9	22.6	26.5	28.8
CSR					
construction organizations	124.8	141.6	75.9	70.9	68.2
nonconstruction organizations	95.0	115.3	24.1	28.1	31.8
SSR					
construction organizations	131.3	148.0	80.2	78.6	77.6
nonconstruction organizations	122.1	125.4	19.1	21.4	22.4

The development of contractor construction organizations creates preconditions for gradually increasing their share of the total quantity of capital construction, even though it must be taken into consideration that there is a rational limit to the division of labor between these two areas of its performance. The utilization and distribution of the capacities of nonconstruction organizations is specified in the construction work balance for each central investor, so that it is reduced to financial support of capital construction by the direct investors. Both contractor construction organizations and nonconstruction organizations, which are an inseparable part of the sources of construction work in the national economy at the level subject to balancing, must be included in the monitoring of plan fulfillment.

/Satisfaction of the requirements of capital construction by construction capacities with the required breakdown also involves cooperative relations between construction and nonconstruction organizations, particularly involving subcontracted supply of the special construction work on which depend smooth construction progress and on-schedule completion of projects (high-voltage and low-voltage wiring, ventilation and air conditioning). In its decree on the plan for 1980, the USSR Government imposed the task of meeting the needs of the construction industry, particularly for projects approaching completion or priority projects, so that it would be informed regarding performance of this task./

The balance system for construction work fully covers expanded reproduction of capital assets. As regards repairs of long-term assets, buildings and structures, these needs are covered by both contractor construction organizations and nonconstruction organizations. The state plan assigns the contractor construction organizations a quantity of repair work; the breakdown of this work during the Fifth and Sixth Five-Year plans developed as follows:

	Index 1980 1979	Average annual pace, Sixth <u>Five-Year Plan</u>	Share of total amount of work, %		
			1980	1975	1970
Total construction work on repair projects	104.0	2.8	100.0	100.0	100.0
Done by organizations managed by:					
federal bodies	104.6	0.0	3.8	4.3	4.4
USSR and SSR ministries of construction	99.9	2.8	23.7	23.7	17.0
USSR and SSR national committees	105.3	2.8	71.6	71.3	77.6

As indicated by the percentages, division of labor at the sector level is stable, as is the breakdown of the repairs conducted. The pace of development in the Fifth Five-Year Plan surpassed the planned levels, particularly in work on capital construction. One of the main causes was the carrying out of so-called major repairs on the power grid, the quantity of which was limited in the Sixth Five-Year Plan. We may expect that overall, construction work on repair projects will surpass the planned quantity in the Sixth Five-Year Plan.

The basic approach to the plan for 1980 is rational utilization of these capacities in the context of planned reserves. Meanwhile, an outflow of capacities to the areas which weaken capital construction is undesirable, particularly in organizations belonging to the construction ministries. The current situation requires maximum concentration of capacities on priority investment programs and on completion of projects. To adjust supply and demand in repair work, the capacities of the nonconstruction organizations, which have a slower pace in capital construction, may be used.

Construction work on repair projects is a serious national economic problem. The need for it stems from the development and the structure of capital assets, buildings and structures in the national economy. Performance of repair work, however, entails raising the technical-economic level of its performance, which requires that a technical policy also be worked out for this field, which is making increasing manpower demands. The low technical level of this work is affecting the meeting of current needs.

The participation of construction organizations in both repair work and private capital construction is consistently low in terms of deliveries to the public. With demand exceeding their capacity, the construction organizations are not adequately meeting the needs of the public. Accordingly, in addition to reproduction of capital assets and export, the construction industry is also faced with the task of meeting the public's needs for construction work.

Meeting the needs of capital construction on time, i.e. completion of projects, is emerging as a problem of the structural development of construction capacities. The 15th KSC Congress assigned the task of decreasing the level of uncompleted construction and shortening the average duration of projects by 15-18 percent by the end of the Sixth Five-Year Plan, and the Sixth session of the KSC Central Committee mapped out the task of resolving the inconsistency between the relatively rapid progress of construction in gross terms and the long periods required for completion of projects. This is a task which is not successfully being mastered and whose accomplishment will stretch over into the next five-year plan.

To carry out the 1980 plan as regards completion of construction projects and concentration of capacities on priority projects, it is also

necessary to proceed in terms of the starting base for the Seventh Five-Year Plan, particularly in connection with the structural development of construction capacities and completion of the construction cycle. The preconditions for decreasing the amount of uncompleted construction are provided by the state plan, by limiting the number of construction starts. The construction industry has the task of adapting itself to these structural changes by reorganizing enterprise capacities./

To decrease the amount of uncompleted work and to complete projects, the state plan assigns the contractor construction organizations specific quantities of construction work on projects to be completed in the planning year and issues directives regarding concentration of capacities. These are interconnected instruments; the directives on concentration limit construction starts, and specification of amounts of work on projects slated for completion creates an economic pressure to get the projects into operation.

The plan specifies, for the Czech and Slovak ministries of construction, volumes of construction work on projects which are to be completed in the year covered by the plan. The long-term development of the share of this figure in the total amount of work on capital construction is as follows:

	Indices		Billions of korunas		
	$\frac{1975}{1971}$	$\frac{1980}{1975}$	1971	1975	1980
CSR Ministry of Construction					
on capital construction	133.7	130.4	17.2	23.0	30.0
on projects to be completed within the year	230.0	113.0	2.0	4.6	5.2
SSR Ministry of Construction					
on capital construction	137.4	136.1	10.7	14.7	20.0
on projects to be completed within the year	188.2	106.3	1.7	3.2	3.4

In the Fifth Five-Year Plan, both ministries had a considerable increase in work on projects to be completed within the year of the plan, while in the Sixth Five-Year Plan this increase has been slowing and is characterized by a decreasing share of this work in the total quantity of capital construction. Analysis reveals a number of causes, involving both the contractors and the investors, but the common denominator is a falling behind in construction completions, with which is associated a falling behind in the development of capacities for completion of work, and their nonuniform use during the course of the year.

Although guidance of the development of capacities toward the completion cycle is stimulated by enterprise and personal incentives, nonetheless the results achieved are not satisfactory. It appears imperative to test and develop new approaches in connection with the evaluation of enterprises, not in terms of fulfillment of volume indicators, but in terms of completion of projects and handing over of completed work for use. The designation of a quantity of work for completion in the annual plan, possibly with an annual increase included in the directives, is too short-term a measure to orient capacity and cannot do much to work out the needed structural development. In essence, it can only seek ways to step up completions within the context of existing uncompleted projects. This is relatively little leeway, as is also shown by the results achieved. For the state plan, in which the basic economic dependencies are to be expressed, the inclusion of an annual quantity of work on projects designated for completion is more rational than norms on uncompleted construction, since it would set an assignment for completions on a long-term basis in relation to the pace of development of construction capacities and the decrease in the number of uncompleted projects.

In addition to the assignment for completions, which is set in absolute value terms the organizational support of the plan provides directives on concentration of construction capacities on a smaller number of projects currently under way, and the average number of workers per project, which is the decisive factor for concentration of construction machinery and equipment as well, is chosen as a measure of this. In order to increase the concentration of construction capacities on a smaller number of projects currently under way and gradually to decrease construction times, the contractors' central offices are ordered to have their subordinate organizations set maximum limits on the number of construction starts, which they will determine in such a way as to effect an increase in the concentration of workers on projects of 8-12 percent over the 1979 plan (in the 1979 plan the assignment for concentrating workers on projects was set at 8-12 percent), also specifying the number of projects to be completed and budget expenditures on them.*

In carrying out the plan, this directive must be fully adhered to, and in addition it must be stressed that it applies to all construction enterprises in the sector and may not be narrowed to enterprises managed by the construction ministries. Another of the current shortcomings of sectoral management is the fact that approaches and solutions are not always implemented throughout the sector, which increases the differences in technical and economic levels between individual enterprises and departments within the sector.

*An analysis of this problem and a calculation method were given in the article "Concentration of Construction Capacities to Deal with Uncompleted Construction," *PLANOVANE HOSPODARSTVI* Nos 3 and 4, 1979.

/The construction industry's main tasks in the 1980 plan have now been summarized. Their accomplishment must be approached as representing the creation of the starting basis for the next five-year plan, and monthly and quarterly plan fulfillment at all economic management levels must be analyzed from this angle. The main criterion is substantive fulfillment of the planned tasks, and the plan may no longer be considered as fulfilled when only the total quantity of work conducted with one's own workers, i.e. ZSV value, is achieved./

The state plan charges the construction industry with accomplishing the substantive tasks, and it uses its system of priorities to orient the development of construction capacities in accordance with the requirements of the capital construction plan, and does not place achievement of gross or overall or aggregate value indicators in the forefront. On the basis of the organizational support of the 1980 plan, each construction enterprise is assigned a range of indicators in the areas of breakdown of sales, proportion of expenditures on adjusted output and technical development, whose fulfillment is a basis for evaluation of plan fulfillment and which cannot be narrowed to aggregate indicators.

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[Text] At the conclusion of the Sixth Five-Year Plan and before the entry into the Seventh, the construction industry has received new economic conditions which require that in many areas it change traditional views of its development, not only in the stage of carrying out capital construction, but especially in the stage of planning preparation. The fulfillment of the 1980 plan must also be judged from this angle, for it creates the base for smooth mastery of improved utilization of inputs both in the production process and in the phase of design and manufacture of intermediate products, in which there is critical potential for new technical and process solutions.

/Rationalizing the conduct of work on construction projects can lead to only part of the needed savings on metal, fuels and energy. The critical effect must be sought in design decisions, which will respect hard-to-obtain materials and products and try to replace them with materials and products from the domestic raw materials base. In securing approval of design documentation, the supplier and designer must base themselves on the real production base. Design preparation this year will determine consumption in the second half of the Seventh Five-Year Plan, from which it follows that approaches oriented toward adherence to the above-mentioned national economic limitations for development of the construction industry, and thus for performance of capital construction, may not be narrowed, even in the stage of performance of the construction project. Only mastery of the entire investment cycle from preparation of the investment project to handing over the facility for permanent use can bring about a turnaround in previous, frequently burdensome, design demands for hard-to-obtain materials and products./

For example, the national economy, and accordingly the construction industry, has sufficient large-diameter pipeline material and extensive possibilities for substitution of alternative materials (steel, cast iron, plastic, reinforced concrete, prestressed concrete), but nonetheless for a number of years the use of steel pipes from Podbrezov has become more intensive, although it has long been known that the output of these will not increase. The systematic failure to balance demand against real supply is leading to hitches in capital construction, conversion of design documentation to other materials, and as a result prolongation of construction time. The use of pipe from Podbrezov unquestionably has technical and economic advantages, and under some technological conditions it has irreplaceable characteristics, but given the situation with regard to supplies of piping materials, a realistic technical solution based on the capabilities of the national economy must be agreed upon between supplier and designer in the design preparation stage. This will not excuse inadequate adaptability (structural changes) of the material producers to the characteristics required for construction effectiveness.

It would be possible to cite further examples, but the purpose is only illustration and correct understanding of the idea of relations between the investor, designer and contractor, faced with limited material inputs to the construction industry. It thus proves essential to connect them rather consistently and to reconsider the current division of labor in planning preparation of construction projects so that the working plans will be developed by the construction contractor. This involves extremely complex system relationships, whose efficiency has already been investigated many times; and it is useful to turn to them again in regard to connecting the processes for performance of construction projects with the real material-technical base of the construction industry. Obviously, other factors too are operative here, which we need not further enumerate in connection with the problems of the 1980 plan.

In keeping with the balanced supplies of construction work in the national economy, the development of the capacities of construction organization has been specified in terms of the value of work conducted by an organization's own workers (ZSV):

	Indices of ZSV development			Meeting the increase in ZSV with increased labor productivity		
	$\frac{1975}{1970}$	$\frac{1980}{1975}$	$\frac{1980}{1979}$	5th FYP*	6th FYP	1980
CSSR as a whole	150.1	128.8	103.8	71.5	82.6	94.7
federal organizations	151.0	115.7	99.8	66.3	62.4	99.5
CSR and SSR ministries of construction	150.7	134.1	104.4	70.0	81.5	93.2
organizations managed by national committees	149.2	121.1	103.9	78.8	91.9	100.0

*five-year plan

The degree to which labor productivity provides for increases in production will gradually increase in the next decade; the level established in the 1980 plan assumes an increase of 1,800 workers in the sector. The exhaustion of manpower reserves in the national economy and the expected pace of investment in the next five-year plan present the construction industry with the task of providing the full increase in output through an increase in labor productivity. With its relatively small increase in comparison with previous years, the 1980 plan is the beginning of a new stage in the development of the construction industry, lacking an increase in manpower; this is not a reflection of current interest in employment in the construction industry, as frequently appears in discussions of the increase in the number of workers in relation to planned tasks.

During the last 10 years, employment in the construction industry has been characterized by a drop in absolute growth. In the Fifth Five-Year Plan, an increase of 51,225 workers was achieved, exceeding the planned value of 17,290 by a total of 33,935 workers. The turning point came during the Sixth Five-Year Plan. The planned increase in the number of workers was fulfilled as follows (in thousands of workers) during the gradual decline:

	1976	1977	1978	1979	1980
Sixth Five-Year Plan	545	553	555	561	565
Annual increase	8	8	2	6	4
Actual	542	551	554	557	559*
Annual increase	5	9	3	3	2*

In spite of difficulties in finding workers for the construction industry it is expected that fulfillment of the Sixth Five-Year Plan will amount to 22,000 of the planned figure of 28,000 workers, which is reflected in the last year in an average worker complement which is 6,000 workers low.

/The growth of construction capacities in the Seventh Five-Year Plan is based on the planned complement of workers in 1980, with the increase in output being met by an increase in labor productivity. This requires that this year, in addition to more efficient utilization of available workers, the distribution of workers in the various activities of construction enterprises be reevaluated; what is especially involved is a relocation of workers into production processes in the construction projects and into secondary activities. The essence of this situation is that even with an increase in manpower the plans for workers in the trades, particularly in certain specialties at the construction sites, were not fulfilled, and it was necessary to fulfill them by means of imports./

*annual plan

The structural transformation of capacities during the Seventh Five-Year Plan is associated in particular with a strengthening of the enterprises engaged in industrial and engineering construction, and requires solution of the problem of placement of workers, and of the associated problem of division of labor within the construction sector and between the construction industry and the other sectors of the national economy. The demanding nature of the task lies in the fact that the structural conversion must be carried out during a stagnation in the number of workers throughout the five-year plan, essentially at the 1980 level. Accordingly this problem must be analyzed profoundly and a solution sought within the designated manpower limitations.

The increase in the number of workers in the construction industry and in its basic activities has been as follows (in thousands):

	<u>Total workers</u>	<u>Workers engaged in construc- tion</u>	<u>Manual</u>	<u>Opera- tions and service</u>	<u>Other</u>	<u>Workers in auxili- ary opera- tions</u>
Initial breakdown of workers in 1950	325.4	276.1	226.7	12.0	37.4	49.3
Increase in:						
First Five-Year Plan	46.7	31.5	15.5	2.7	13.3	15.2
Second Five-Year Plan	71.1	49.7	37.0	1.4	11.3	21.4
Third Five-Year Plan	0.3	-3.2	-8.6	0.5	4.9	3.5
Fourth Five-Year Plan	42.0	30.3	15.2	1.4	13.7	11.7
Fifth Five-Year Plan	53.0	32.9	19.0	3.0	10.9	20.1
Annual increase:						
1976	5.9	1.7	-1.2	0.6	2.3	4.2
1977	7.3	3.5	1.8	0.3	1.4	3.8
1978	3.3	0.6	-0.3	0.3	0.6	2.7
1979	3.4	-0.1	-0.6	0.4	0.1	3.6

Hitherto the growth of construction capacities depended on a rather rapid increase in the number of workers, which made it possible to handle structural changes within its scope with virtually no interference with enterprise breakdowns.

In the Third Five-Year Plan there was a drop in the number of workers in construction, which began in 1961 and continued through 1962 and 1963. The turnabout came in 1964, and the 1962 number of workers was first exceeded again in 1966. The movement of workers out of the construction industry, which resulted from a loss of preference accorded to this sector, had to be dealt with by extraordinary measures in wages and

social policy. Instructive in this connection is the fact that renewing interest in work in the construction industry is a long-term process. Similar symptoms have been observable in the current five-year plan as well, and their result is a shortage of workers with certain skills in the construction projects.

/Leeway for structural transformation of construction capacities in keeping with the requirements of capital construction must also be sought in more efficient allocation of workers between primary construction work and the secondary operations, and within the latter. Accordingly, it is advantageous to characterize past development in more detail. Over the long term, the structure has developed in the direction of an increase in the percentage of workers in secondary operations from 15.2 percent in 1950 to 22.5 percent at the end of the Fifth Five-Year Plan, with a trend to faster and faster growth. In 1979 the figure was already 24.5 percent./

Within the primary activity, the percentage of operations and service workers is gradually increasing, and the percentage of technical operations workers is growing, while the percentage of manual trades workers at the projects decreases.

<u>Year</u>	<u>Workers engaged in construction work</u>	<u>Trades</u>	<u>Operations and service workers</u>	<u>Other workers</u>
1950	100.0	82.1	4.3	13.6
1955	100.0	78.7	4.8	16.5
1960	100.0	78.2	9.5	17.3
1965	100.0	76.4	4.7	18.9
1970	100.0	74.3	4.7	21.0
1975	100.0	73.0	5.0	22.0
1977	100.0	72.3	5.2	22.5
1978	100.0	72.1	5.3	22.6
1979	100.0	72.0	5.4	22.6

The changes in the breakdown of workers in construction work reflect the industrialization of the construction industry, particularly the introduction of the prefabricated and fully assembled construction technologies and the increased share of mechanization and comprehensive mechanization of construction work, as well as the associated demands on management and organization. It is necessary to determine the degree of this effect and the corresponding required number and breakdown of workers in construction work.

A criterion of an effectively structured increase in the number of workers in construction is substantive fulfillment of the state plan tasks. Among the primary causes for nonfulfillment we may cite shortages in certain construction trades, and enterprise plans too are not being fulfilled in terms of structural indicators. Thus the breakdown of workers is not

in agreement with the needs of structural development of construction capacities. The pressure to end this disproportion is increasing, because it involves the activity which consumes the greatest amount of labor value added. When the planned development of capacities is based only on increased labor productivity, the problem becomes even more acute. It cannot be put off to the Seventh Five-Year Plan: it requires consistent solution even during performance of the 1980 plan, which must prevent further divergence between demand and the supply of construction trades.

In the Fifth and Sixth Five-Year Plans, the structural disproportion between construction capacities and trade breakdown of the workers was made up by import, in the form of:

- /-importing turnkey projects;
- subsupply for general contractors of projects;
- import of building trades./

In connection with the development in the Fifth Five-Year Plan, a gradual elimination of both direct import and import of trades has already been achieved in the sixth.

The belated reaction to the unfavorable structural development of the building trades, together with inadequate regulation of the increase in number of workers on projects, showed themselves systematically in a pressure to import trades, which further increased the need to concentrate some trades (carpenters, masons, scaffolders, plasterers) on selected projects, particularly the nuclear program, hydraulic and thermal power stations, metallurgical facilities in the North Bohemian Kraj, projects in the "third area" and comprehensive housing construction in Prague.

The share of imported construction work in the total quantity of capital construction in the national economy is relatively small (for the Sixth Five-Year Plan), amounting to about 2 percent of the work done by contracting organizations in capital construction, and is continuously decreasing. Imported building trades averaged about 1,000 workers a year with a falling trend. The demand for these imports stemmed from the long-term unfavorable development of the worker breakdown, which was not consistently regulated in keeping with national economic goals. As the imports are eliminated, the Czechoslovak construction industry has considerable leeway for matching supply to demand through domestic resources, by the first year of the Seventh Five-Year Plan at the latest.

The approaches to evaluating the previous unfavorable development of the worker breakdown in the construction industry may not be simplified, because they are also associated with the nature of employment in this sector (separation from family, transfers to key projects and to areas of concentrated capital construction, work under difficult weather

conditions), and this during full employment and a high standard of living for all workers in the national economy. Bringing workers into the construction industry, keeping them and training them in the required range of trades is and will be one of the most demanding tasks of organization and management work in the construction industry.

/Concentrated attention must be devoted to this problem in the 1980 plan in terms of both skill structure and comprehensive creation of the conditions for keeping the workers. Hitherto a high level of worker turnover amounting to roughly a third of the total labor force and systematic overflow between enterprises and departments has decreased the efficiency of manpower utilization and failed to provide a firm foundation for an increased level of organizational work. This problem must be dealt with in the context of the planned reserves, and import of building trades can no longer be planned in order to make up for fluctuations./

At the 14th plenum of the KSC Central Committee, an unequivocal directive was issued to the construction industry that its development of the trades structure should make it possible with the utmost speed to provide the imported building trades and construction capacities from our own resources. The import of construction work ended, other than agreements already concluded, and the import of building trades will continue only within strict limits. The CSSR Government has discussed the elimination of import of building trades and has ordered the construction ministries to develop a comprehensive program to supply the needed range of trades.

In the 1980 plan the increase in the number of workers must already be so regulated that the trades in particular are strengthened, both by recruitment of manpower and by its redistribution among the internal resources and construction enterprises. This will create the basis for retraining and further training of workers in the required trades.

On the basis of previous development and experience which confirms that training and instruction of workers is a long-term process, the CSSR Government has directed that a trades management system be developed at the enterprise, VUH and department level; this must be in keeping with current capabilities and manpower resources. At the same time, the conditions are being created for utilizing the trades which are in shortest supply by concentrating them on key projects, by developing specialized teams led by experienced technicians and by bringing these to bear smoothly and using them on the basis of time schedules. This thus involves an approach which increases organization and management of workers above the level of a single project, and possibly above the level of enterprise and VUH. Making these organizational measures effective requires a greater availability to the workers of construction machinery and equipment; this will by no means be based solely on demands for new machinery, but will come primarily by improved utilization, with a decrease in the amount of uncompleted construction.

In order to speed up the matching of the supply of trades in short supply to the demand, measures have been adopted whose fulfillment is among the basic tasks for 1980, particularly as regards creating the conditions for elimination of these disproportions in the very first years of the Seventh Five-Year Plan.

Specific tasks in the training of unskilled workers as assistants in carpentry and tiling work have been assigned. In addition, wage bonuses have been established for bringing workers into training and retraining as carpenters and tile-layers, and the limits for personal evaluation and the length-of-service bonus after at least 5 years have been increased.

Management of the development of the trades structure in accordance with the capital construction program requires development of a system for monitoring of long-term regulation of trades development in connection with the structural changes in the production program and trends in production technology and the total number of workers.

In connection with achieving an increase in construction output by increasing labor productivity, stress is laid on the need to reevaluate the existing distribution of workers in the construction industry. We refer in particular to workers engaged in construction and workers in secondary operations, whose share amounts to about 25 percent.

The secondary operations of construction enterprises have developed under conditions of the industrialization of the construction industry and development of social division of labor, not always effectively utilized, and with an inadequate utilization of the economic advantages of concentration and specialization of production within departments and sectors. The level which has been achieved also requires that all capabilities be used in this area to increase construction efficiency in relation to the 1980 plan and the preparation of the Seventh Five-Year Plan.

The varied nature of the activities of secondary operations requires a differentiated approach, both as regards effective meeting of the requirements of construction and in relation to the economic environment, particularly the provision of deliveries and services by the other sectors of the national economy. The current status and developmental trend of secondary operations of the construction enterprises in the Czechoslovak construction industry can be expressed in terms of the following breakdown of workers (in thousands):

	1975	1976	1977	1978	Increase in number of workers by year		
					1976	1977	1978
Secondary operations as a whole	120.0	124.6	129.3	132.3	4.6	4.7	3.0
Industry	44.6	46.3	48.0	49.5	1.7	1.7	1.5
Transport	46.5	48.4	49.6	50.3	1.9	1.2	0.7
Planning	7.2	7.5	8.2	8.3	0.3	0.7	0.1
Material and tech- nical supply	1.2	1.0	1.0	1.0	-0.2	--	--
Plant dining rooms	1.7	1.8	2.0	1.9	0.1	0.2	-0.1
Other production activities	1.4	1.5	1.4	1.4	0.1	-0.1	--
Research and development	1.9	2.0	2.0	2.1	0.1	--	0.1
Housing and domestic	5.6	5.5	6.1	6.2	-0.1	--	0.1
Personnel training	5.9	5.9	6.0	6.0	--	0.1	--
Machine computation stations	1.2	1.4	1.6	1.7	0.2	0.2	0.1
Enterprise health services	0.1	0.1	0.1	0.1	--	--	--
Other departmental activities	2.7	3.2	3.3	3.8	0.5	0.1	0.5

Industry and transport have the greatest weight, with shares of 37.4 and 38 percent respectively. Far behind are planning (6.3 percent), the housing services and residential operations (4.7 percent), and manpower training organizations (4.5 percent) while the remaining activities account for less than 10 percent.

The increase in the number of workers during 1975-1978 was basically directed to the production, transport and project planning areas: 4,900 for the building materials industry, 3,800 for transport, 1,100 for planning and 700 for housing and personnel training services.

The structure of secondary operations in the construction sector differs considerably in individual enterprises of the relevant central organs according to the nature of their work, the degree of development of cooperation and additional factors which affect the need for particular activities. Accordingly we cannot introduce specific conclusions for the enterprise level on the basis of a sectorwide viewpoint without specific balancing of demand and supply of products and services for smooth construction progress, as well as the meeting of the construction industry's needs by the other sectors of the national economy.

/From partial findings, however, we may conclude that the material production base and services within the secondary operations of construction

enterprises have dispersed capacities with low work efficiency, result- from the relatively small-series nature and variability of a produc- tion program which is specified on an as-needed basis to assure smooth- ness of construction work. The basic route to making these activities more efficient is their sectoral integration in connection with inter- sectoral division of labor, particularly in relation to the machine- building industry. The construction of these comprehensive production and service bases has already been begun in areas of concentrated capital construction, particularly in Prague and the North Bohemian Kraj. During the Fifth and Sixth Five-Year Plans a substantial part of the required social and production base was implemented./

The development of construction enterprises' secondary operations has a consistently rising trend, and their direct relationship to primary construction activity and to the overall efficiency of construction requires planned management not only at the department and operating organizational level, but in the sectoral structure as well. Accordingly, the relevant indicators were included in the Unified Procedural Direc- tives for Developing Five-Year and Annual Plans; these make it possible to proceed to a central solution of the problem of efficient develop- ment of these activities. The decisive role among these activities goes to the building materials industry, which breaks down as follows according to number of workers:

	1976	1977	1978	I n d i c e s	
				<u>1977</u> 1976	<u>1978</u> 1977
Total industrial production and production-support construction	100.0	100.0	100.0	100.1	101.5
Production-support construction work	17.7	15.4	15.1	87.4	99.6
Production construction components	28.5	29.4	29.1	103.0	100.4
Rock quarrying and process- ing and preparation of light fillers for concrete	1.8	1.7	1.6	93.4	95.5
Production of metal struc- tural members and fittings	14.5	14.0	13.9	96.8	100.5
Repair of construction machinery	30.3	31.9	32.9	105.4	104.5
Production of carpentry and woodworking products	2.3	2.3	2.3	101.2	102.4
Other industrial production	4.9	5.3	5.1	108.1	99.0

Each of the above types of production has its own specific characteristics, requiring its own approach to increased efficiency, both at the enter- prise level and in the context of specialization and cooperation. On the

basis of an independent analysis of the efficiency of development of prefabrication, measures have been adopted in the 1980 plan to increase the efficiency of production of structural components. The construction organizations have proved to be using these production bases inefficiently, and accordingly labor productivity has been stagnating even as equipment has increased. The significance of these measures lies in the fact that a significant proportion of the production of construction components is concentrated in the construction enterprises. Of the total capacity under the ministries of construction, about 35 percent is incorporated organizationally into the construction enterprises, while the remaining 65 percent is in the Prefabrikace VÚJ, i.e. in the building materials industry.

In order to increase the level of planned management of this important supporting area, as part of the organizational support for the 1980 plan the Czech and Slovak construction ministries are ordered to establish assignments for developing the production of silicate prefabricates, organized at the construction organization level with the following indicators:

- /--output in physical units;
- adjusted output;
- labor productivity;
- number of workers;
- ratio of material expenditures to adjusted output./

Also required is documentation and monitoring of the fulfillment of the tasks assigned.

The production of silicate components is specified in some detail because it is a named assignment in the plan for 1980 to whose fulfillment concentrated attention must be given, and the findings from which will be used as the basis for improving planned management of construction enterprises' secondary operations.

In carrying out this year's plan and preparing the 1981 plan and the Seventh Five-Year Plan, the secondary activities of the construction enterprises must be expanded only on a scale which will assure smoothness in the construction process. The development of the individual activities in subsequent years will achieve varying economic results. Construction work in support of production processes will develop the most rapidly as regards total output (and also in labor productivity in reaction to a drop in the number of workers), in accordance with the implementation of technical progress and will achieve the required relative savings of workers (production in central concrete, mortar, steel reinforcing rod and crushed-stone plants, and the like).

The shortage of repair capacities in specialized organizations requires that in addition to technical and preventive maintenance, building

industry production also carry out medium repair and general overhaul of machinery and transport facilities. According to estimates, the repair shops of construction organizations will carry out about 30 percent of the repair work. With dispersed capacities and a shortage of spare parts, their efficiency is low, as indicated by their increasing number of workers.

The construction enterprises are carrying out the production of about half of the fastenings and fittings used, while the rest is produced on site or delivered from production facilities outside the construction enterprises. Increased efficiency must be combined with concentration of production. Similarly, analyses must be made of secondary activities, and not only in the building materials industry. When seeking ways of increasing construction efficiency, the focus of attention should be secondary activities which have fallen below the technical, organizational and management level of primary construction work, which will make it possible to increase output with lower investment expenditures than in primary construction work.

Plant transport has a special position in construction enterprises' auxiliary operations; its large increases in number of workers must be evaluated in connection with transport output. The nonproduction activities also meet the need for workers for the housing services, training work and plant dining rooms, as specified by the relevant regulations, even though there are ways of economizing in this area.

The development of construction enterprises' secondary operations has reached a level requiring comprehensive sectoral analysis in terms of the possibility of increasing the effectiveness of manpower utilization in the construction industry, which in many cases is limited only in construction work itself, i.e. in decreased labor intensiveness at the construction sites. This narrow conception of rationalization, directed only toward work on the construction site, does not embrace all possible ways of improving the efficiency of secondary activities, which must be discovered in concentration and specialization of production, supra-enterprise service activities and rationalization of intersectoral division of labor. Here it must be stressed again that the development of the construction industry in the Seventh Five-Year Plan is based on increased labor productivity with essentially no increase in the number of workers over the level achieved in 1980. This requires that a structural transformation of construction capacities be carried out throughout the production and nonproduction activities of construction enterprises.

Creation of conditions for a smooth transition from the Sixth to the Seventh Five-Year Plan is essential in 1980, and this cannot be separated from fulfillment of planned tasks and preparation of the plan for 1981. This entails not only a problem of the construction industry itself, but also a problem of the national economy, for it is growing into a

question of working out intersectoral division of labor, particularly between the construction industry, the machine-building industry and other sectors of the national economy. Assuring deliveries of materials and products from these sectors is a precondition for limiting less efficient production activities in the construction enterprises.

/The 14th plenum of the KSC Central Committee assigned first place among the principal tasks to consistently assuring the planned increase in production with limited inputs and ordered that the maximum attention be devoted to conservation in the consumption of petroleum products./

/The construction industry is one of the sectors of the national economy which has a high consumption of fuel and energy, both in its own production process and in the range of building materials, other materials and parts which it consumes. The quality and the thermal engineering parameters of exterior facings determine fuel and energy consumption when buildings are in use. Thus we should briefly identify the areas in which it is necessary to work out programs of measures to reduce fuel and energy consumption in carrying out capital construction, in all phases from manufacture of semifinished products to the handing over of high-quality construction work./

In view of the limited sources of motor fuel, currently top priority belongs to provision for deliveries in the construction industry, particularly given the increasing technological complexity of the projects (construction of nuclear power plants, hydraulic engineering products on the Danube, mains, transport projects and the like). The construction process is highly transport-intensive; the breakdown of transport for construction work and the building materials industry is developing as follows:

	1970	1975	1980	Indices	
				$\frac{1975}{1970}$	$\frac{1979}{1970}$
Total transport	100.0	100.0	100.0	138.4	163.8
Plant motor transport	59.7	61.2	66.4	143.1	182.1
CSAD motor transport	27.1	27.0	24.0	137.8	144.9
Railroad transport	8.8	7.3	6.2	115.7	116.8
Water transport and other	4.4	4.0	3.4	123.2	124.4

The critical element is motor transport, whose share increased from 86.8 to 90.4 percent during the last decade; as transport by CSAD [Czechoslovak Motor Transport] has dropped, the share of plant motor transport has increased greatly. Under current conditions, we must justify the level of motor transport in terms of maximum conservation of motor fuel. Accomplishing the planned tasks under the specified limitations on motor fuels requires a decrease in consumption when operating transport

facilities; another route is an absolute decrease in transport tonnage and transport output in connection with the real possibilities for meeting the requirements with other means of transport.

At present there are no technical indicators which provide sufficient information in justifying the amount of transport tonnage and transport output in the construction industry. On the basis of partial findings from construction projects, we may conclude that there is excessive use of transport, particularly construction-related transport of soil. The fuel limitations will help curb this increase, which manifests itself among the construction contractors with all its economic and technical consequences as regards carrying out projects, but has no direct effect on investment and planning preparation.

Motor transport provides a critical amount of work for construction enterprises; the relationship between plant and public transport is organized by plan in such a way that together they meet the overall needs. In the Sixth Five-Year Plan, the motor transport requirements of enterprises in the construction industry (in tons per million korunas of construction work) showed the following development and structure:

	1975	1976	1977	1978	1979	Index 1979 1975
Total						
millions of tons	492	530	546	568	806	123.2
tons/million Kcs ZSV	11,765	11,643	11,307	11,071	11,371	96.7
Earth						
millions of tons	213	230	264	275	296	139.0
tons/million Kcs ZSV	5,095	5,052	5,467	5,360	5,554	109.0
Building materials						
millions of tons	211	233	282	292	310	146.9
tons/million Kcs ZSV	5,047	5,052	5,840	5,711	5,817	115.3

With the total tonnage of all transport up 18 percent between 1959 and 1979, and with the indicator of tons per million korunas of construction work down by 1.1 points, motor transport is expanding.

In the breakdown of materials carried, the share of earth and construction materials is increasing, and transport of other materials is decreasing. The amounts of earth and construction materials carried at the beginning of the five-year plan were roughly the same, i.e. earth-moving work requires just as much transport as construction itself, or in other words the tonnage of earth carried is essentially equal to that of construction materials carried, both per million korunas of construction work and in absolute terms. The weight of construction materials

carried is gradually increasing, but these are only rough calculations, for they take in only motor transport by the plants and by Czechoslovak State Truck and Bus Transport.

According to the tonnages indicated, each million korunas of construction work accounts for about 5,800 tons of building materials. The material-intensive nature of construction is determined by construction technology, and in this context a long-term task is to decrease it, particularly in the stage of planning preparation. Another way of decreasing the transport requirements lies in construction organization and management. This involves particularly a decrease in the number of intermediate depots and in excessive transfers and haulage, rationalization of on-site transport and the like. For a rough estimate we can use the example of the material-intensiveness of residential construction, which from this viewpoint is a demanding type. With an average material consumption of 95 tons per housing unit, each million korunas of construction work in this area of capital construction calls for 760 tons of building materials. Comparison of this number with the average amount of transport per million korunas of construction work allows us to judge the extent of necessary and realistically possible savings from the current level. At the same time, it must be taken into account that the amount of building materials transport mentioned includes the building materials industry.

Another important consideration for conservation of fuels is the number of ton-kilometers of haulage by plant motor transport, where conservation and the meeting of transport requirements within the supply limitations are critical for assurance of a smooth construction process.

Plant motor transport can be characterized by the following basic indicators of transport tonnage and transport output in relation to the quantity of work carried out by internal resources (ZSV):

	1970	1975	1976	1977	1978	1979	Indices	
							1975 1970	1979 1975
Total								
tons/million Kcs								
ZSV	8,618	8,189	8,113	7,987	7,966	8,337	95.0	191.8
Earth								
tons/million Kcs								
ZSV	3,506	3,715	3,741	3,688	3,869	4,090	106.0	110.1
tkm*/million Kcs								
ZSV	9,209	10,677	11,437	12,394	13,152	15,082	115.9	141.3
average transport distance, km	2.6	2.9	3.1	3.4	3.4	3.7	111.5	127.6
Building materials								
tons/million Kcs								
ZSV	3,232	3,200	3,089	3,156	2,988	3,070	99.0	95.0
tkm/million Kcs								
ZSV	36,064	34,976	34,326	35,396	35,633	36,693	97.0	104.9
average transport distance, km	11.2	10.9	11.1	11.2	11.9	12.0	97.3	110.1

It is typical of plant transport within this department (for construction and building materials industry enterprises) that more than half of transport tonnage is accounted for by moving of earth.

The average transport distance for building materials decreased during the Fifth Five-Year Plan. Currently, however, it is moving up, having increased by about 10 percent; thus we have a decrease in both transport tonnage and transport output in ton-kilometers. In this connection it is necessary to increase also the use of trailers and semi-trailers. Adherence to specified limitations on fuels and the meeting of transport requirements this year require a comprehensive approach. The construction industry will achieve the planned increase in construction capacities during the Seventh Five-Year Plan with the current level of fuels, and accordingly even this year it is necessary to create the technical and economic conditions for this accomplishment.

Transport tonnage and transport output in ton-kilometers for earth are increasing more rapidly than the amount of construction work. During the Fifth Five-Year Plan, tonnage of earth transported increased by 159 percent, while the number of ton-kilometers increased by 174.6 percent, compared with an increase of 150.4 percent in the amount of construction work; during the Sixth Five-Year Plan tonnage increased by 162.9 percent, and the number of ton-kilometers by 180 percent, compared with an

*tkm = ton-kilometers

increase of 127.4 percent in construction work. During the last 10 years, the indicator of tonnage per million korunas of construction work has increased by about 17 percent, and transport output in ton-kilometers has increased by about 64 percent in the same period; transport distance has increased from 2.6 kilometers in 1970 to 3.7 kilometers in 1979 and is still on the way up.

/The intensity of demand for earth transport is reaching a level which exceeds the real capabilities of not only plant but also public motor transport, and is becoming the limiting factor for smooth progress in construction. Under current conditions, the demand must be met within the specified limitations on fuels. Accordingly it will be necessary to employ nontraditional solutions. Limited tests on construction projects indicate that the planned amounts of earth-moving work are frequently excessive and should be limited; otherwise there will be a decrease in the utility value of construction work. In addition, the dumps of humus and earth that have been set up are far too distant and do not make use of possibilities near the construction sites./

In its decree on the 1980 plan, the CSSR Government ordered the central organs managing investor and contractor organizations to minimize, even in preproduction investment preparation, the amount of excavation and filling, to decrease earth haulage distances and to limit secondary working and hauling.

On the basis of this decree, a statewide test and review of the scale and advantagefulness of excavation, filling and haulage of earth is being carried out in order to limit them substantially and decrease haulage distances; this applies to:

/--all projects worth more than Kcs 2 million RN either uncompleted or planned for commencement this year;

--line projects with earth-moving work amounting to more than 10,000 cubic meters;

--other projects with earth-moving work amounting to more than 5,000 cubic meters./

This by no means implies that other projects should remain outside the sphere of interest of either contractors or investors.

The special-purpose inspection commission, consisting of representatives of the general designer, the investor and the construction contractor, will check the following in accordance with the nature of the project:

/--selection of a construction site in terms of the use of local filling materials;

--line projects and fill-type dams in terms of minimizing haulage distances, haulage of earth, use of the nearest supplies of filling materials, and possible new solutions;

--landscape improvements in terms of not entailing the hauling of soil further than 5 km from the edge of the work area and in terms of the benefits to accrue from the proposed improvements and of the amount specified;

--foundation construction in terms of use of progressive methods with limited earth work;

--trenches and pits in terms of the benefits of the earth-moving work and minimization of the quantity, while adhering to the regulations of state standards./

The inspection commissions have a financial interest in achieving savings, and the construction organizations will have their planned output decreased in accordance with their success in limiting earth work, even with lower budget expenditures on the projects.

By its scope and its approach, this inspection lays the groundwork for new methods of working out the relationship between demand and supply. The experience obtained will be used fully in the draft plan for 1981 and the Seventh Five-Year Plan. This one-time project will handle the conflict between transport supply and demand in a nontraditional way, and within the plan for 1980 it will test the starting basis for the Seventh Five-Year Plan. It must be approached from this viewpoint and must be given the requisite support at all levels.

Essentially there are two ways of accomplishing the material tasks of the construction industry designated by the state plan in the context of the limitation on motor fuel, namely thrift in consumption and a decrease in the amount of transport and in haulage distances. An analysis of the connection between the construction industry and transport has indicated new potential for solving the problem.

Another area in which it is necessary to look for ways of decreasing the energy intensiveness of the construction industry is a decrease in the consumption of energy-intensive materials and products based on petroleum products. In the forefront is the consumption of cement, even though currently supply and demand are in balance and cement output fully covers production requirements and market supplies.

/Cement consumption, should, however, be approached in terms of its demands on the fuel and power reserves of the national economy. This justifies the requirements for conservation of cement and for examining the current level of consumption both in carrying out construction projects and in preproduction investment preparation, where the question

is in particular the thriftiness of the construction work and of the proposed design itself./

The problems of decreasing cement consumption cannot be put off until after 1980, because the intensity of cement demand in construction during the Seventh Five-Year Plan will be determined by design planning done this year. From this viewpoint, the task is a pressing one, and extensive initiatives should be developed in this direction. Programmatic approaches must be embodied in a unified technical policy of the construction industry. Its basic criterion must be efficiency and decreased energy intensity of construction projects.

The absolute level of cement consumption in the national economy is increasing, while the ratio of consumption to quantity of construction work by contractor organizations is decreasing, as shown by the table:

	1970	1975	1980	I n d i c e s	
				$\frac{1975}{1970}$	$\frac{1980}{1975}$
Total cement consumption in the national economy, million tons	7.6	9.8	10.9	128.9	111.2
Use in production	6.5	8.3	9.4	127.7	113.3
Market supplies	1.1	1.5	1.5	136.4	100.0
Production use (tons) per million korunas of construction work by construction organizations	147.5	125.4	110.3	85.0	87.9

Even though cement consumption is gradually decreasing, the Czechoslovak construction industry is one of the most cement-intensive in the world in terms of consumption per inhabitant. The planned consumption for 1980 is the upper limit, and further consumption must contribute to an improvement of the national economy's fuel and energy balance. A decrease of about 1 percent in cement consumption represents a saving of about 12 million kilowatt-hours of electrical energy and about 15,000 tons of fuel oils.

The construction industry is faced with an especially demanding task as regards increasing the insulating quality of external facing wall components in accordance with CSN [state standard] 73 0540. This involves especially facing panels for building, which as a result of building design, have a substantial effect on insulating quality. Current design of reinforced concrete facing panels is oriented toward heat insulation with polystyrene and to the production of so-called "light prefabrication" components.

In connection with the guidance of technical solutions for projects in the Seventh Five-Year Plan toward decreased consumption of metals,

particularly aluminum, and products and components which are highly demanding as regards consumption of petroleum products and other energy and investment-intensive materials, primarily metal-plastic components, the primary method of increasing the insulating quality of facing panels is the use of the domestic raw and other materials base, particularly silicates. The preconditions for this must be created by further utilization of foamed concrete, whose production has been introduced in the republic, and the conditions for whose expansion are in existence. This is a technically demanding task requiring elimination of previous shortcomings and in particular a transition to large-dimension components which will decrease labor consumption in on-site installation.

Even though the new norm will go into force in 1983, even in 1980 it will be necessary to fulfill consistently the tasks associated with changes in facing panels and to find ways to shorten the established time schedules.

Performance of the planned tasks in 1980 and overall effectiveness of construction depend on, in addition to the areas already mentioned, the utilization of machine capital assets, and the performance of their own capital construction by construction enterprises in accordance with the tasks of structural development in the Seventh Five-Year Plan.

The planned increase in capital assets will make possible the development of construction capacities provided that the tasks regarding their time and output utilization are fulfilled and the dispersion of equipment on projects is decreased by concentrating it on the decisive investment programs.

From the national economic level it is possible to characterize the increase of machine capital assets in relation to these tasks by their effectiveness and the ratio of labor productivity to worker availability, which is developing as follows:

	1970	1975	1980	Indices		
				$\frac{1975}{1970}$	$\frac{1980}{1975}$	$\frac{1980}{1979}$
Labor productivity, thousand Kcs	96.2	130.4	166.6	135.6	127.8	104.8
Effectiveness of machinery capital assets	3.58	3.38	2.79	94.4	82.5	95.5
Worker availability (SZP)	26,885	38,596	59,694	143.6	154.7	109.8

/The increase in worker availability is surpassing the rate of growth of labor productivity, which manifests itself on the other hand in a decreasing effectiveness of machine capital assets. In connection with the preparation of the Seventh Five-Year Plan and with limited investment resources, it will be necessary to slow this decrease even this year.

An increase in the effectiveness of machine capital assets is one of the main tasks of the construction industry, which in addition to increasing their utilization is related to the concentration of construction capacities in order to decrease the amount of uncompleted construction, and is affected by the efficiency of development of by-products by construction enterprises. The low level of elimination of obsolete equipment included in capital assets ties the workers to outmoded equipment with a high consumption of fuel./

A decrease in the amount of uncompleted construction would make it possible for the construction industry to eliminate more obsolete and unsatisfactory machinery. While a low level of elimination expands the machinery inventory and increases the level of capital assets in terms of purchase prices, still it decreases efficiency and to some degree covers up shortcomings in organizational and management work. The current approach makes it necessary for the plan to specify priority tasks regarding equipment elimination, and when these are not adhered to, investment resources are decreased to this extent.

With regard to the plan and this breakdown of construction machinery, there is a specific way of increasing their effectiveness in improving time and output utilization, which are increasing continuously. The trend in time utilization of the main construction machines is given in the table (in terms of number of hours worked per machine):

	1970	1975	1976	1977	1978	I n d i c e s	
						<u>1975</u> 1970	<u>1978</u> 1975
Power shovels	1,715	1,714	1,771	1,796	1,879	99.9	109.6
Scrapers	-	1,257	1,347	1,505	1,435	-	114.2
Bulldozers	1,768	1,809	1,808	1,819	1,869	102.3	103.3
Graders	-	1,040	1,073	1,123	1,113	-	107.0
Cranes	1,986	1,883	1,913	1,980	1,967	94.8	104.5

Overall, time utilization of machinery during the Sixth Five-Year Plan is going up; between 1975 and 1976 it increased by 2.7 percent, between 1976 and 1977 by 3.9 percent, and between 1977 and 1978 by 4.9 percent.

Although this indicator comprises the time during which the machine is engaged in productive work (excluding losses or the time required for preparing the machine or maintaining it after work), this represents use of about 75 percent of the annual number of hours in single-shift operation. Thus the task becomes that of increasing machine utilization in multishift operation, which is also one of the ways of decreasing the demand for construction machinery and equipment.

/The production utilization of machinery is constantly at a low level, and while it is increasing, there is still great untapped potential.

Accordingly the measures adopted by the management organs which create the conditions for higher utilization of construction machinery must be consistently observed. Better utilization of construction machinery is not only a task of the construction industry itself, but must also be assisted by machine producers and suppliers. This involves particularly completing sets of machinery and adding to the machine inventory an assortment which is necessary for structural development of construction capacities./

In this connection, the state plan assigns the machine-building departments overall limits on deliveries, which are made specific in discussions of supplier-purchaser relations. Long-term conflicts between construction industry needs and deliveries have made it necessary to balance key construction machinery at the state plan level and also at the department level. This will improve the specificity of material support of the construction industry.

The plan for 1980 assigns the construction industry demanding tasks whose fulfillment is essential to the fulfillment of the economic and social plan in the Sixth Five-Year Plan and is the initial base for the Seventh Five-Year Plan. In addition to carrying out the plan for 1980, an inseparable part of work on the draft plan and the Seventh Five-Year Plan is the development of the "Set of Measures for Improving Planned Management of the National Economy after 1980."

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ASSIGNMENTS, TRANSFERS, BIOGRAPHICAL DATA ON FOREIGN CORRESPONDENTS PUBLISHED

Budapest MAGYARORSZAG in Hungarian 27 Jul 80 p 2

[Text] At the right of the page MAGYARORSZAG's readers can find a list of the names of MTI correspondents who regularly contribute information and articles to this paper from their places of assignment. From time to time this list changes. Some return home at the end of their assignments, there are young newcomers whose names must also be presented, and others are merely being transformed to new assignments. It also happens fairly often that a name will be found that had figured there previously, but had disappeared for a while, because after a number of years here in Hungary the person has once again taken up in some foreign capital.

Dr Miklos Pek, the new MTI correspondent in Sofia, is 29 years old. He completed his education at the ELTE [Lorand Eotvos University of Arts and Sciences] in the State and Jurisprudence Department, and after obtaining his diploma immediately went to work in MTI's Foreign Affairs Section. In 1976 he received a certificate from the MUOSZ [National Federation of Hungarian Journalists] School of Journalism. In early 1977 he received a long-term assignment to Moscow, which he covered for the news service for two and a half years. During the time he was in the Soviet Union he had the opportunity to visit more than half a dozen of the republics in the continent-scale country. He told readers about his trips in his stories. He has been back in Hungary since fall of last year, working as column editor of the MTI Foreign Affairs Section. He is not unfamiliar with his new assignment, having substituted for the regular Sofia correspondent in the summer of 1976. In addition to Russian and Bulgarian he works in German and English.

Istvan Kelemen, MTI's new Warsaw correspondent, is 33 years old. He was educated at the ELTE Liberal Arts Department, majoring in Russian and English. After receiving his diploma he began work for Hungarian Radio. From 1971 to 1973 he attended the MUOSZ School of Journalism. Working for the radio was good training for him. Among other things it accustomed him to the deluge of information that floods us these days, to evaluating it and preparing it for dissemination. He was already working as a leading member of the editorial staff for the radio when he transferred for 4 years to another area of press work: The Nation--The World.

There he learned another form of journalism, a freer, more colorful way of presenting information. In February 1979 he began working at the largest institution for foreign affairs journalism in the country, MTI, where he was in the foreign affairs section until his assignment as a correspondent. The Warsaw assignment is familiar to him: during the past 10 years he has frequently been to Poland as a member of delegations of newspaper writers. Most regularly he was there this February when he covered the PZPR congress together with the permanent MTI correspondent there at the time. He knows Russian, English, Polish and German.

There is also to be a change of correspondents in Washington: Andras Heltai is returning to Hungary, being replaced by Pal Bokor. There is no need to introduce Bokor since in the past we have frequently been able to publish interesting, analytical writings by this former Moscow correspondent.

To each new correspondent we wish good work and much success!

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ENTERPRISES MEETING CHALLENGE OF NEW DEMANDS, REGULATIONS

Success Formula at BRG

Budapest NEPSZABADSAG in Hungarian 23 Aug 80 p 3

[Interview with Sandor Stenczinger, director general of BRG (Budapest Radio Technology Factory), Dezso Karacsony, director of operations and Bela Bodry, party secretary of the factory, by Istvan Oroszi]

[Text] "Navigation is a necessity," said the ancient Romans and they took to the sea to conquer new lands and new markets. This saying is quoted today at enterprises where, in spite of more difficult and complex conditions, there are purposeful initiatives aimed at the discovery and utilization of new opportunities for progress.

One of these enterprises is the Budapest Radio Technology Factory which produces mobile radio telephones, tape recorders and computer devices. How did this medium-size enterprise of our telecommunications industry, with 3,800 employees, succeed in transforming its product structure? What new methods are they using to improve their competitiveness and market position? These are the questions we asked of Sandor Stenczinger, director general of BRG, director of operations Dezso Karacsony and party secretary Bela Bodry.

Our paper was represented by Istvan Oroszi.

[Question] The experience of the first half of 1980 shows that not all enterprises were able to adapt, in a flexible manner, to the new conditions and requirements represented by the new regulators. In fact, some of them are struggling with serious financial difficulties. What is the situation at BRG?

[Stenczinger] We have no reason to complain. This situation has certain historical roots. Near the end of the 1960's we came to the conclusion that BRG was producing too many types of products and spreading its resources too thinly. We found it highly unlikely that we could make sufficient progress over the long haul on such a basis. Thus, if the enterprise wanted to do well, it was necessary to concentrate our forces, reduce our product scale, and accelerate the production of goods that are in line with the conditions

at BRG, can be manufactured economically and can be sold in all markets. We needed also to cut down on the manufacturing of products that cannot be made economically feasible. This strategy proved correct and, to a large extent, it has been implemented. Briefly, this is the reason why the changes in the regulatory system did not find BRG unprepared. The requirement of using competitive world market prices is not as new or unusual for us as it is for others.

[Karacsony] In the past we always sold our products at world market prices and bought the import materials we need at world market prices. We have not received state support; we have not asked for it and do not need it. Therefore, reduction or elimination of support cannot cause us the kind of financial hardship that some other enterprises are experiencing. Concerning the BRG prospects for 1980, let me mention some illustrative statistics: last year the capitalist exports of the enterprise grew by 33 percent. We planned for a further 20 percent growth this year. Our socialist exports, representing more than half of all sales receipts for BRG, will grow at the same dynamic rate as before. Domestic sales of our products will decline, but the total sales receipts of the enterprise will be somewhat greater than last year.

[Question] How much profit do you expect?

[Stenczinger] As a result of regulatory changes, profits will be reduced by half. This decline has a substantial impact on BRG but will not present us with unsolvable problems. The financial position of the enterprise is stable. The BRG's debts are in line with its resources. It can use its own resources to create the funds necessary to repay earlier investment bank loans and to finance ongoing development projects, planned economic growth and a somewhat slower rise in personal incomes.

[Question] I believe there are not too many enterprises that are facing the future with so much self-assurance. In the trade there are those who say that the BRG is a lucky enterprise with a good profile.

[Karacsony] When people talk to me about our lucky profile I always say, pardon the expression, that we did not win our profile at the lottery. BRG has shaped it the way it is today. We mentioned this before. A lot of other enterprises did or could have done the same by making long-range decisions on what to make and what not to make. But I will go further: I do not believe anyone seriously thinks that the progress and profitability of an enterprise is determined by its product profile alone. A profile is "lucky" only if there is purposeful management making steady efforts toward the implementation of an economic product structure, modernizations of products and manufacturing techniques, organization of marketing and many other factors. If these are lacking then an enterprise will fail even with the best profile. The BRG tried once to make a product within our profit and we almost went bankrupt. I am talking about the "super tape deck" as it is still called. The BRG spent millions to develop this entertainment tape deck with the ability to play backwards and forwards. The technical conditions of up-to-date manufacturing were lacking; in addition, the price of the device would have been prohibitive.

[Stenczinger] We were forced to conclude, on the basis of this ill-fated enterprise, that we will never make it or even earn an honest living by making tape recorders, even if we provide a more solid development base. The capacity of the domestic market is too low (80,000 to 100,000 tape recorders annually) to provide a basis for economic production runs while assuring sufficient selection. Considering that, as a result of domestic supply difficulties, the electronic components necessary for manufacturing the device (e.g., transistors) must, in most cases, be procured from capitalist markets, it is clear that under such conditions the BRG could not become competitive in international markets.

This is what caused us to look around in the world and try to see where and how we can aim for competitiveness. We learned that, although there are many manufacturers of complete tape recorders abroad, some subassemblies are produced by a few companies, while others are made by an even smaller circle of manufacturers, in spite of the great demand for them. By proposing to satisfy this demand, the BRG could begin to make new products in great quantities and sell them in both socialist and capitalist markets. After we found international cooperative partners, we decided to make and develop so-called mechanical subassemblies instead of complete tape recorders (e.g., recording heads and motors). This will eliminate the need for imports of mechanical subassemblies. Economical capitalist exports of the same products will provide the funds needed to cover the currency expenses associated with the imports of electronic components that the BRG will continue to require, although our requirements will grow at a slower pace than our production will.

[Question] What is the present status of this large scale product shift?

[Karacsony] Production of tape recorder subassemblies represented a mere 10 percent of the value of the production of our enterprise 5 years ago. It represented 30 percent in 1979, and this year its share will be about 40 percent. We stopped making the old, obsolete reel-to-reel tape machines and replaced them with new, modern cassette units. The enterprise has already earned some profits with these. The production of complete entertainment tape recorders declined from the earlier 60 percent of total BRG production to 10 percent. Had we not developed the production of tape recorder subassemblies, we would have had to spend \$3 million on purchasing them just this year. These imports were reduced to \$200,000 as a result of the product shift.

[Bodry] Seventy percent of our production of recording heads goes for export. We have cooperation agreements with a number of firms abroad, including one of the big tape recorder manufacturing companies in Western Europe, valid for several years. Our Soviet partner enterprise is shipping color television subassemblies to Hungary in exchange for our tape recorder subassemblies. Assembly line production of tape recorder motors started 1 year ago. The quantity of production this year will approach 500,000 units.

[Question] Where does the BRG find the labor force and production capacity to account for such a dynamic rate of development?

[Stenczinger] As the saying goes, "if your arm is too short, step closer." This led us to an idea to try to offset the shortage of money and labor in a way that is unusual in domestic practice. At home we were also looking for partners able and willing to cooperate with us on an economic basis. This led to agreements, lasting 5 and 10 years respectively, between the BRG and two cooperatives in the provinces to jointly manufacture components and assemblies. The cooperative contributes buildings and labor to the association. We provide machinery, materials and technology. The association with the agricultural cooperative is 2 years old. The one with the artisan cooperative has been in existence for 1 year. Expanding production will not require new construction investment. In fact, the cooperative venture enables the two cooperatives to utilize their existing plants and unused capacities. They are providing full-time employment for hundreds of workers and producing more valuable products than in the past.

[Question] This is indeed a new initiative and the BRG has done it ahead of a lot of other enterprises. Surely another advantage comes from the independent export rights enjoyed by the BRG and the existence of a well-organized in-house research and development department.

[Karacsony] We have enjoyed independent export rights for the past 10 years jointly with other telecommunications industry enterprises within the framework of the Videoton Corporation and the Budavox Corporation Foreign Trade Enterprise. The director general of the BRG is on the boards of both associations. Thus, production and foreign trade are, in practice, concentrated in one hand. This indeed makes it easier to coordinate engineering development and marketing operations. There are, however, occasional debates and conflicts.

[Bodry] People in development often think that sales are none of their business and should be left to the foreign trade specialists. The latter, on the other hand, often expect the people in development to solve marketing problems. Therefore, in agreement with the economic leadership of the BRG, we say that the designer or development specialists should not only design, but also take part in, the initial business negotiations. He should be out there in the marketplace to see if the new product is needed and whether it can be sold at a good price.

[Question] In-house research and development is considered a high-risk, but necessary and useful investment, even by the largest capitalist enterprises.

[Stenczinger] We are just a small firm but this also applies to us. Whether a product is up-to-date and economical is decided largely at the development stage. Money must not be withheld from development. More than 50 important, internationally noted inventions have been accepted for use in new, modern products made by BRG. But we pay invention bonuses only to the extent the BRG can recover them in economic terms. Thus, researchers have an incentive to invent things that can be made at BRG and can be sold at a good price.

[Bodry] High risk means, in our case as in others, that in research and development time is money, in a double sense. We found this was so most recently in the development of the BRG tape recorder motors where, in certain

critical periods, almost the entire public opinion of the enterprise had to be mobilized in order to solve complex engineering problems and start assembly line production on schedule. Further success of the product shift was largely dependent on this, as was our accelerated development. Therefore, it was not at all the same for us whether the development of the new product took 3 years or 5 years.

[Karacsony] I would emphasize another important factor in market competitiveness and risk: pricing. Until now, enterprises had a capitalist export plan. As long as they fulfilled it, everything was all right. Today's system of regulators forces us to make sure that the world market competitiveness of a product is recognized in capitalist market prices to a larger extent than before. I will give you an example.

Recently our foreign trade specialists returned from abroad saying that in such and such a place they could sell BRG products much easier if only we would lower the price. In reply we asked to find out what is it that the customer would be willing to pay extra. This is because if we can make the design changes he needs at a cost that is less than the price differential we could get, then this is a good deal for us. Otherwise, we do not need the business. Our foreign trade specialists were taken aback. But then they collected themselves and came to an agreement with the customer, just as we thought. In the end, the deal ended up being three times as big as the one discussed originally. In exchange for the higher price, the BRG undertook to make the modifications requested by the customer; the capitalist firm that competed with us was unwilling to do this.

[Bodry] Of course, the heat begins later, as interests within the factory collide. The changes interfere with the regular work of the factory. The new product requires more attention and is harder to make than the old one. But this is what life is all about. We must get accustomed to the difficulties.

[Question] Some people say the CEMA market does not require such hard work and that it is possible to get by without all this.

[Stenczinger] In CEMA markets we are also meeting the customer halfway. For example, we hold conferences and trade shows in the USSR every year. There, we regularly obtain detailed information from our customers regarding the modifications they would like to see in the BRG products we are shipping to them. Next time, we present our products tailored to their wishes. This is why they recognize us. This is why they are pleased to buy from us and arrive at mutually advantageous, correct business deals.

In any case, the two markets cannot be rigidly contrasted or separated. If BRG products did not have a substantial CEMA market then we would have been unable to use high quality mass production methods. We cannot sell sufficient quantities just to our capitalist partners to make it pay for itself. Economic production and exports can only be based on the combined capacity of the two markets.

[Karacsony] There is competition also in the CEMA market. For example, in the past 7 years two CEMA countries besides ourselves were making so-called report storage tape recorders used in industry and transportation. Since engineering quality rose faster at our factory and economic parameters improved significantly, production stopped everywhere else almost automatically. As a result, today we are the only ones within CEMA who are still making and exporting these special tape recorders, usually produced for individual orders. We might say that CEMA specialization happened in this case without special recommendations, by economic means.

[Question] What has been said thus far provides very interesting and convincing proof that the accomplishments of the BRG are indeed due not to luck, but to local flexibility, effort and adaptability. Therefore, I would like to ask your opinion concerning the outlook and risks for the future.

[Stenczinger] We are continuing the transformation of our product structure in the other major product group of our enterprise: radio telephones. These also contain mechanical components and subassemblies that can be mass-produced at the BRG, provided that, as in the past, marketing can be assured by long-term international agreement.

We have also begun the development of an up-to-date FM radio telephone system, primarily to satisfy increasing demand in developing countries. At customers request we are willing to provide this or similar systems on a principal contractor basis.

[Bodry] The BRG had to pay a substantial entry price to get into the capitalist market. This kind of risk and others similar to it must be reduced by improving operations within the enterprise. For example, just by improving material supplies we could achieve a 10 percent improvement in efficiency. Another great reserve of risk is represented by improved reliability of our products, reducing the number of customer complaints regarding quality. This requires more responsible work and, among other things, good customer service. The latter will be organized first of all in the largest market for BRG products, the USSR.

[Karacsony] Today we are more sensitive to risk than in the past. Therefore, we would like to obtain independent import rights to complement our independent export rights. In the new situation, the BRG may gain or lose millions on the timing and price of the components needed for production, almost one half of which are imported from capitalist countries. This is why we would like to have full autonomy and responsibility also in this area.

Over the Hump at DIGEP

Budapest NEPSZABADGAG in Hungarian 23 Aug 80 p 3

[Interview with Sandor Enekes, director general of DIGEP [Diosgyor Machine Factory], by Attila Gyorgy Kovacs]

[Text] The low point in the history of the Diosgyor Machine Factory, an enterprise with 10,000 employees and a great past, occurred in 1978, the year when the enterprise was reorganized. It is now clear that this event

marked the beginning of progress in the right direction. The revamped leadership mobilized thousands of workers who hoped for renewal but still had their doubts. The results of the first half of this year show a declining workforce producing 19 percent more value than last year; sales receipts increased by 14 percent.

The road is both steep and difficult. In the middle of the long climb one feels how long there is still left to go. Where is the enterprise coming from and where is it going? This was the subject of our conversation with director general Sandor Enkes.

Below the Mark

[Enkes] During the critical year, the financial stability of our enterprise was threatened; we were losing money on production and had underfulfilled our plan. The inquiry at the time of the reorganization showed that our low performance was due to weaknesses in leadership, problems of organization and internal cooperation, and the backwardness of management and technological development. During the Fourth Five-Year Plan the DIGEP was operating on a day-to-day basis, without providing foundations for the future.

Investment and enterprising spirit were in decline; machinery was obsolescent. We were ill prepared for the modernization of our product structure. Enormous inventories indicated that part of our product range is unsaleable. Some unsuccessful efforts were made to fulfill certain international obligations, while the production of goods in high demand declined. This led to a catastrophic 75 percent decline in productivity and the disappearance of development resources.

[Question] How did you find your way out of this difficult situation?

[Answer] In part with the help of our superior organizations, but mainly as a result of our own consistent, unsparring efforts. Briefly: we accelerated the pace of our investment projects; reduced our product scale on the basis of ranking according to profitability; we improved in-house cooperation and regularity of production by introducing a bonus system with more incentives; we replaced one half of our totally depreciated high performance machines (there were 90 of them); through organization, we created the basic conditions necessary for more efficient and disciplined work.

[Question] At what point is the DIGEP today?

[Answer] I have to give you an answer based on three criteria. This shows that we have merely made the first few steps. By improved management and political work we achieved results that are in line with, and in some cases better than, the plan. Nevertheless, our productivity is only 75 percent of the best plants of the Hungarian machine industry and only one-third of the international standard.

[Question] What is the key issue?

[Answer] Per capita production value last year was 320,000 forints. In the first half of 1980 it increased by a quarter. Our goal is to raise this figure above 500,000 in 5 years. The ratio of workers to white collar employees is 100:42. Thus, the key issue is improved efficiency and, in particular, a decisive improvement of productivity.

Discipline and Responsibility

[Question] One hears complaints about an excessively tight rein. A lot of people are questioning, either explicitly or implicitly, how long can you continue the management practices you introduced 2 years ago as "emergency measures?"

[Answer] True, after 2 years I am still directly in charge of the production plants. This is not the task of the director general, some say in reproach. But I repeat: even though production has been consolidated, we have still taken only the very first steps. Day-to-day reporting on each task is burdensome. I think all managers feel ill at ease in the role of a despatcher. There was more than personal whim on my part behind the elimination of our production directorate. It was unable to cooperate normally with other organizations. The fact is that cooperation among the various production units was unbelievably bad; management organization was confusing and plagued with parallel authorities and bureaucracy. Responsibility and initiative were lost among the gears of the machinery.

To build a house on solid foundations, we first need to prepare the building site. Along with the day-to-day work of building the foundations we must also carry out the tasks aimed at alleviating our problems over the long haul and serving our future.

[Question] This is true; but you are doing the work of others. When a worker in one of the workshops asks his foreman for extra time above the production norm it is necessary to obtain approval from the director general. Is this not overdoing it a little?

[Answer] For the time being, there is no other way to shed light on problems. I check on the daily plan fulfillment of factory units. If some units are lagging behind, I ask the person responsible the reason. The purpose of the morning conferences is not to get explanations, but to find out what they are doing to eliminate the reasons for the lag. I check on this every day. I do not interfere with the means of execution, but I want to make sure it is clear who has the responsibility. This directly forces each manager to bring himself to a point where he can direct his area in a responsible, well-informed manner.

Let me mention the matter of extra time beyond the production norm. Let us start by assuming that the worker wants to work for 480 minutes every working day. In fact, the amount of time he can work is determined by management, i.e.,

the availability of tools, materials and drawings. Suppose the production norm for a certain item is 2 hours. Material is not always available, so the worker is unable to fulfill his monthly norm. His wages will decline; thus, he has a right to complain to his foreman. They have been working together for a long time, so the foreman will ask for extra time from the norms analyst. Of course, a different reason is given (e.g., wrong size material), even though the real reason was deficient work organization and management. The worker gets his wages; productivity declines; there is no performance behind the money. The point is that there are 20 valid reasons to ask for extra time beyond the norm, and they are all uncontrollable. What are we doing to avoid this kind of collusion? We ask the technologist to record, in a numbered journal, all the data on requests for supplementary norms: who is asking for time and why? They must also name the person responsible. Extra time can only be given in case of a mistake. The person making the request is the one who must know best where the fault lies. The journal comes to me. On a statistical basis, it becomes clear where the managers are in the areas where such manipulations are most frequent. This is taken into consideration at evaluation time and when bonuses are awarded. After a while, those who are involved will pay attention to more regular supplies and workers are not adversely affected.

[Question] Let us change the subject. Many consider the new system of bonuses unjust. Were there occasions where factory units who fulfilled their plan did not receive any bonuses?

[Answer] That is true. I would merely like to add that the new system of incentives was introduced in agreement with the trade union and the party committee. We specified not only the timely and good quality fulfillment of the plan, but also that these prerequisites must be present in the operations of the enterprise as a whole. We are all in the same boat. There is no such thing as a good production unit within an unsuccessful enterprise. In the beginning there were some conflicts. Today, every production unit is interested in the problems of other plants and will not sit idly by while their neighbors are struggling with problems.

In Many Keys

[Question] People are talking about large scale employee transfers in the interests of improving productivity. What is the truth?

[Answer] We formulated a program in this area stretching over several years. The question is how can we increase per capita production, whether we intend to increase the value of production with the same work force, or whether we want to preserve the existing value with a declining work force. Employee transfers are merely one of the methods available. With the help of the workers we made a survey of thousands of jobs to see if there are any duplications and what could or should be done differently. Every year, we transfer 2 to 3 percent of the work force from office jobs to production. The people involved are given three choices, depending on their age, abilities and problems. If none of these is acceptable, they are transferred to discretionary status. This means there are no wage increases or promotions. It is in their interest to get out of this category or to look for a job elsewhere.

This is only one of the sources for the planned 47 percent improvement in productivity. Others are the purchase of high performance machinery and its utilization for at least 2.5 shifts per day. There are great reserves in the area of better utilization of working hours. This year we will be freeing 640,000 norm hours by means of better organization, improved material supplies and norm maintenance. This represents 10 percent of our capacity. The electricity consumption curve of our factory gives a good indication of the presence of such reserves: around 6:30 am the curve rises; around 12:30 pm it starts to decline. If we want to reduce our annual losses, now approximately 45 million forints, we must know that they are due 50 percent to faulty materials, and 50 percent to rejects. On the one hand, we will institute stricter incoming inspection and utilize the abilities of our lawyers; on the other hand, in the area of work quality we can rely on our 800 socialist brigades, the achievements of the DH [Worker Without Mistakes] work system, and the large numbers of innovators we have.

The requirements are changing rapidly and we must adapt to them. It took us 4 years to turn a development result into pilot production. We reduced the number of research projects and called in outside professionals so as to substantially reduce the time needed. We intend to introduce a number of product lines that can last for a long time, by means of license purchases and cooperative projects. Most of our products require constant development and design changes. In cooperation with foreign trade specialists we are developing market operations and we are trying to formulate a suitable system of incentives that encourages profitability. We have already signed a contract with Technoimpex that provides incentives for expanding our market and strengthening our positions.

Our principle is to take market demands into consideration, but to supply only those demands that promise healthy profits, assured sales, efficient work and, in the final analysis, enable us to earn a secure living.

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